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Note: Tons are metric, dollars are U.S., and rice is on a milled basis unless specified otherwise.

The International Economics Division's program of agricultural situation and outlook analysis and reporting includes the following regularly scheduled publications: The *Foreign Agricultural Trade of the United States* published bimonthly; the *World Agricultural Outlook and Situation* and the *Outlook for U.S. Agricultural Exports* published quarterly; the *Food Aid Needs and Availabilities* report published semiannually; and regional reports on North America/Oceania, Latin America, Middle East and North Africa, Sub-Saharan Africa, East Asia, South Asia, Southeast Asia, China, Eastern Europe, the Soviet Union, and Western Europe published annually. Information on obtaining these publications is enclosed in back of this report.

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Summary

Slow Economic Growth Projected Worldwide

Low economic growth rates in the industrialized nations in 1983 will likely lead a slowly accelerating worldwide recovery. Economic growth in the developing nations will lag that of the industrialized countries because of slow growth in trade, depressed commodity prices, large-scale currency depreciations, and austerity policies forced by scarcities.

World agricultural production in 1982 declined slightly from the 1981 record, but still exceeded the latest 3-year average by nearly 2 percent. However, because of population growth, per capita production was only slightly better than 10 years ago.

World food grain supplies in 1982/83 are up 3 percent from the previous year because of record wheat production. Although yearend rice stocks may be down 5 million tons, both wheat and rice prices will remain weak. Wheat production and use may converge somewhat in 1983/84.

Coarse grain production is expected to rise 3 percent to a record in 1982/83. Carryover stocks may exceed 150 million tons this season, their highest ever. The U.S. payment-in-kind (PIK) program has pushed up prices in the past month, but additional price strength is not expected until stocks are drawn down. Strengthening demand in 1983 could help trim stocks.

Global oilseed production in 1982/83 is expected to rise nearly 6 percent from last year, primarily from expanded output of soybeans, rapeseed, and sunflowerseed. World soybean output may decline in 1983/84 if U.S. production falls; the PIK program for grains and cotton may make the price of these crops more attractive than those for soybeans, hence lower soybean acreage.

World consumption of red meat and poultry changed little in 1982, as increased use of poultry offset reduced pork availability. Although poultry use may rise 2 to 3 percent in 1983, it may not be sufficient to offset reduced pork supplies. Total milk production rose almost 2 percent in 1982 and may climb a similar amount in 1983, primarily from increased productivity.

Sugar production in 1982/83 may be down only slightly from last season's 100 million tons, pushing ending stocks to about 42 million and keeping prices at a 10-year low.

World cotton production for 1982/83 is estimated down 4.5 percent, 3.2 million bales below a year earlier, largely from a decline in U.S. output. Global production should again be lower next year because of U.S. acreage reduction programs. Also, Chinese plans to stop acreage expansion may limit growth in foreign production.

Tobacco production rose nearly 11 percent to 14.5 billion pounds in 1982. Although the U.S. share of global output and exports continues to decline, higher prices pushed the value of U.S. exports to a record $2.84 billion in calendar 1982.

World Agricultural Situation

WORLD ECONOMIC CONDITIONS

Slow Growth Projected

The world economy now appears likely to recover somewhat in 1983, and the rate of recovery will probably build throughout the year, led by growth in the industrialized nations. The U.S. economy is expected to show initial signs of growth in the first or second quarter, which will likely be followed by some acceleration in the economies of Canada, Japan, and Europe.

The developing nations' recoveries will lag those of the industrialized economies. Slow growth in world trade, depressed commodity prices, large-scale currency depreciations, and austerity policies forced by scarcities of foreign exchange will drop the growth rates of developing countries well below the lofty 5 to 6 percent of the 1970's. The centrally planned economies are expected to make small gains in 1983. Increases in their consumption are likely to be mostly offset by continuing weak rates of investment.

Growth for the entire world economy, while improved over the past 3 years, will remain low, especially when compared with past recovery periods. The industrialized countries will probably register extremely low growth rates. The Organization for Economic Cooperation and Development (OECD), in its December report, *Economic Outlook*, forecasts that economic growth for its 24 member countries will average 1.5 percent in 1983. In

Economic growth and inflation rates[1]

Country	1980	1981	1982[2]	1983[3]	1980	1981	1982[2]	1983[3]
	Gross national product				*Consumer prices*			
Developed	1.0	1.3		−0.3	1.7	12.0	9.2	6.5
United States	−.4	1.9		−1.8	2.0	13.5	10.4	6.0
Canada	0	3.0	4.0	1.0	10.1	12.4	10.0	9.0
EC-10	1.1		−.8	.5	1.0	13.0	10.0	9.7
Japan	4.2	3.0	2.5	2.5	8.0	4.9	2.5	3.0
Centrally planned	2.4	1.5	2.4	2.4	NA	NA	NA	NA
Developing	3.0	2.8	2.1	3.4	26.0	34.0	33.0	30.0
Africa/ Middle East	−.2	3.1	2.5	3.4	17.0	19.0	15.0	13.0
Asia	4.5	5.9	4.5	4.9	11.1	8.5	8.0	7.5
Latin America	4.4	.2	.1	2.2	56.0	63.0	65.0	60.0

NA = not available. [1]Percent change from year earlier. [2]Preliminary. [3]Forecast.

contrast, following the 1975 recession, growth in the gross domestic product (GDP) of the OECD soared to 5.2 percent.

A large unknown in the 1983 outlook is petroleum demand and prices. Spot prices are again much lower than contract prices, and the Organization of Petroleum Exporting Countries (OPEC) is under considerable pressure to lower its prices. World oil prices began their downward path in February with announcements by the British National Oil Company and by the Governments of Norway and Nigeria that their official prices would drop by about $4 a barrel, to around $30. Other oil-exporting nations may lower prices to maintain their market shares. If a price war ensues, oil prices could fall to $25 a barrel or lower, according to some estimates.

For the world as a whole, declining oil prices could give a much needed boost in propelling the world economy from the current stagnation; foreign exchange that would have been used to buy oil can now be used for investment or other goods, or a country may simply import less and ease its trade balance. The nearly threefold increase in oil prices from 1978 to 1981 practically doubled the oil-import bill, from $140 billion to $270 billion, for all countries that import oil. As a result, many countries cut back on their oil imports, bringing the world total to about $220 billion in 1982, and they stand to make major savings if oil prices continue downward. For example, if prices drop to $25 a barrel, the world as a whole could save nearly $50 billion by importing the same volume in 1983 as in 1982.

This savings would mostly benefit countries that import most of their petroleum needs: France, Germany, Japan, Italy, and a host of others. However, some nations, those that export more in goods and labor to oil-exporting countries than they import in oil, could be adversely affected if the oil-exporting nations have to cut their purchases. A possible effect on the international banking structure is that the oil-exporting countries might be forced to withdraw large sums from their reserves held in foreign banks. The concern here is that such actions could lower the banks' assets and constrain their lending.

The economic outlook presented below was made before the decline in petroleum prices began. Now it would appear that the outlook for the world is rosier, especially for those countries that import petroleum. For the oil-exporting countries as a whole, especially Mexico and Venezuela with their debt-servicing burdens, the outlook is worse.

Limited Gains for U.S. Agriculture

U.S. agricultural exports will not likely benefit much from the expected recovery. Three primary factors lead to this conclusion. First, projected rates of private consumption are low; some projections for consumption are even lower than the forecasts of growth in GDP. Second, and related to the first point, unemployment throughout 1983 in the overseas economies will likely remain at or near the rates of late 1982. A weighted average of unemployment rates for the major foreign markets—Japan, Canada, France, Germany, and the United Kingdom—reached 7.3 percent in the fourth quarter of 1982 and is likely to climb in 1983. Until unemployment rates decline, consumers will likely hold back on purchases. Third, the foreign-exchange constraints in many developing countries could, in some cases, force governments to cut back on their food imports over the course of 1983.

The Industrialized Countries

The Path to Recovery: Contributions...

Several underlying trends in economic activity in the major industrialized nations indicate that the projected recovery will begin in early 1983 and accelerate by yearend. For most countries, investment in inventories during 1983 could lift production levels, provide employment, and contribute to an increase in overall output. This inventory investment, while not large, will likely occur throughout much of Europe, Japan, Canada, and the United States. Production in the industrialized countries appeared to be stable in the fourth quarter of 1982, and for most countries, it is expected to rise in 1983 and reverse the downward path set last year.

Monetary policies in most of the industrialized nations are expected to allow for somewhat faster growth in money supplies in 1983 than in 1982. Such a trend began last summer and will likely continue into 1983 until the recovery is well underway. Gains achieved against inflation have provided officials the flexibility of easing monetary targets. Monetary officials will likely

keep a close eye on inflation and will begin to tighten the flow of money should inflationary pressures begin to mount again.

Inflation, measured by increases in the prices of consumer products, will likely ease even further in 1983, to an annual rate of under 6 percent for the major foreign markets. Since 1980, when inflation for this group of countries averaged 9.8 percent, inflation has moderated because of lower increases in wages, depressed commodity prices, and, in the United States, the strengthening dollar. On the other hand, the generally steady rise of the U.S. dollar has contributed to inflation overseas.

Interest rates have come down from the highs of 1980 and 1981, and they may decline a bit more in 1983. By the end of the year, however, short-term interest rates may start to turn up, assuming recovery is sustained and policies remain unchanged. As in U.S. credit markets, corporate and governmental demands in overseas credit markets will tend to push up interest rates abroad. Still, short-term interest rates—at about 8.3 percent in early February on a weighted-average of treasury bills, private bills, and deposits—will not likely be much higher by yearend.

... Constraints

Because of the recent and projected declines in inflation, real interest rates—nominal interest rates minus the inflation rate—were high in 1982 and will continue so in 1983. Although down from their 1981 high of 4.2 percent, real short-term interest rates fluctuated between 3 and 4 percent in 1982. Real interest rates in 1983 will probably remain around 3 percent and will continue to constrain consumption and investment, hence overall output.

Growth in consumption will be further limited by low wage gains—especially when adjusted for inflation—and by continuing high unemployment rates. Unemployment in some European countries ran as high as 14 percent in late 1982. (The 7.3-percent weighted-average rate of unemployment for the major foreign markets includes Japan's low 2.4 percent.) Unemployment in Europe is close to 10 percent and will probably average higher this year.

Investment in plants and equipment is expected to show only slight gains in 1983, partly because of continuing high interest rates, but also because of slack demand and large amounts of unused capacity. While outlays are not projected to increase much, the declines of the past 2 years could come to a halt.

Exports may rebound for several countries in 1983. A continuing recovery in U.S. housing may boost Canada's exports of lumber and building materials, while a continuing rise in demand in the U.S. auto market could increase Canadian and Japanese car exports.

Europe's exports will not likely increase as much as either Japan's or Canada's, because European nations trade mostly with other European nations. Therefore, because import demand in Europe will likely be low, exports probably won't increase much. Another factor limiting European exports is that their markets in the Middle East and Africa will likely remain fairly weak in 1983.

The Developing Countries

The developing countries will greatly benefit in 1983 if two major occurrences unfold: a sustained recovery in the industrialized economies and an increase in credit supplies. Again, lower petroleum prices will brighten the outlook for oil importers and will darken it for the oil exporters. Almost all analysts project a recovery in 1983, and most feel that it can be sustained, albeit at a low rate, if fiscal deficits in the industrialized countries—and, hence, interest rates—are brought down.

Such a recovery would have two major effects. First, demand for the exports of the developing countries would increase. Export earnings of the developing countries as a group plummeted almost 25 percent from third-quarter 1981 to third-quarter 1982. For the non-oil exporting countries as a whole, export earnings have been stagnant since the end of 1979. When adjusted for inflation and expressed in dollars, the purchasing power of their export earnings has dropped an average of 7 percent a year. A recovery in exports is essential for economic growth in the developing countries. Second, low interest rates would ease the debt burdens of all nations, especially those with enormous outstanding debts; e.g., Mexico and Brazil.

The International Monetary Fund (IMF) in mid-February gave approval for an increase of almost 50 percent in members' contributions (called quotas) to the IMF, from roughly $66 billion to $90 billion. Of this increase, about $16 billion is to be used as loans to help countries service their balance-of-payments shortfalls. If the funds for this quota increase are appropriated by national legislatures, commercial banks will likely be more willing to provide funds to countries that appear to face temporary problems which are likely to clear up once a world recovery gains momentum.

The Centrally Planned Countries

The centrally planned economies are apt to suffer another disappointing year in 1983. Virtually all nations in Eastern Europe will attempt to correct their balance-of-payments shortfalls. Much of this correction will come about by cutting growth of imports, rather than by boosting exports. Efforts to increase efficiency in production will be renewed. Emphasis will likely be placed on improving productivity of labor and energy. In general, investment will likely be emphasized more than personal consumption. [*Art Morey (202) 447-8470*]

INPUTS AND FINANCE

Energy

Oil Prices: How Far Down?

Begun almost exactly 2 years ago, the downhill slide of oil prices continues. A rally late last summer proved weak and short lived. Behind the trend is a persistently weak petroleum demand springing equally from the world recession, substitution, and conservation. In the last 2 years, demand for oil fell about 17 percent, and the world average price for crude oil declined 10 percent. Therefore, production had to be curtailed from 62.4 million barrels a day in 1979 to 52.3 million last year. Unless there is a pronounced economic recovery in industrial countries in 1983, oil prices may fall drastically.

The chief loosers in the situation have been the OPEC nations, who were forced to absorb the entire drop in

World crude oil production[1]

Country	1981	1982	1983[2]
	Million barrels/day		
OPEC	22.7	18.2	19.0
USSR	11.8	12.0	12.0
USA	8.6	8.6	8.5
Mexico	2.3	2.7	2.7
Canada	1.3	1.2	1.2
North Sea[3]	2.3	2.5	2.6
China	2.0	2.0	2.0
Other	4.8	5.1	5.4
Total	55.8	52.3	53.4

[1]Excluding natural gas liquids. [2]Forecast. [3]Denmark, Norway, and United Kingdom.

world oil production. The cartel's share in the total fell from 49 percent in 1979 to 35 percent last year, and its power to dictate world oil prices has about disappeared.

In an effort to bring production in line with sagging demand and to prop up the OPEC benchmark price of $34 a barrel for crude, OPEC oil ministers met in Vienna last December and again in Geneva in January. Both meetings broke up in disagreement over price discounts, production quotas, and price quality differentials. Iran, Libya, Nigeria, and Venezuela have been selling their oil at a discount to maintain or increase their market share, thus undermining the benchmark price. In the matter of quotas, Iran, who has to finance a costly war with Iraq, insisted on a new production share of over 3 million barrels a day (in contrast to its 1.2-million-barrel quota), while Saudi Arabia, who has already slashed its production from 9.8 million barrels in 1981 to nearly 4 million, refused to lower its output any further. Finally, the price differentials issue involved a demand by Saudi Arabia and other Arab Gulf producers that Algeria, Libya, and Nigeria charge for their top-quality crude at least $3 a barrel more than the benchmark price to allow the Gulf producers to stay competitive.

As OPEC unity continued to crumble, oil spot prices on international markets have been running $4 to $6 below the benchmark price, and by mid-February, the official price structure collapsed.

The Soviet Union was first to cut its price for crude by about $2 a barrel, and soon after, the American oil companies began to cut $1 off the price of the crude they buy from domestic producers.

On February 18, the British Government, followed by Norway, cut the price of North Sea oil by $3 to $30.50 a barrel. A day later, Nigeria broke with the OPEC front and dropped the price of its crude by $5.50, to $30 a barrel.

In the last week of February, OPEC oil ministers shuttled to Riyadh, capitol of Saudi Arabia, in an effort to unite the badly divided cartel, and eventually consultations extended beyond the cartel. However, Iran and Libya were in no mood to compromise and threatened to undercut any newly established benchmark price. Thus, while the Gulf States attempt to establish a new benchmark price of $30 a barrel, the price that will emerge from the current turmoil is likely to be below that.

The immediate outlook seems to be price instability, with downward adjustments as both OPEC and non-OPEC producers continue to flood the market with oil. Prices will firm up only if economic recovery in the West becomes more evident. Less expensive oil may help this process, as well as reducing farm and transportation costs, and leave more money for food imports in most developing countries. [*Francis Urban (202) 447-8106*]

Exchange Rates

Decline in U.S. Dollar Halts

The sustained decline of the U.S. dollar that began in mid-November 1982 and continued into the first 2 weeks of the new year has halted abruptly. U.S. currency is once again beginning to show the strength and resilience that dominated over the past 2 years.

The most important factor affecting the dollar has been U.S. interest rates. As interest rates fell during the last quarter of 1982, the impetus to hold dollars also declined. Lower rates of return make any currency less desirable. However, the interest rate floor has apparently risen to an unexpected high. Anticipated heavy U.S. Government borrowings, continued monetary restraint, and the economic recovery will continue to place heavy pressure on credit markets and support interest rates at current or higher levels.

The dominance of exchange rates has been forcefully demonstrated by the minimal market reaction to so-called fundamentals. As an example, the U.S. current account, measuring net trade in most goods and services, shifted abruptly into the negative during the latter half of 1982. Although such information would imply strong downward pressure on the dollar's international value, foreign exchange circles gave it little notice.

The near-collapse of OPEC (and lower oil prices) has for the moment a mixed effect on the value of the dollar with respect to other major currencies. The British pound has suffered the most, as the loss of oil revenues means lower demand for Sterling. Other European currencies, as well as the Japanese yen, should benefit from a drop in oil prices because fewer dollars will be required to purchase petroleum from OPEC countries. On the other hand, the threat of defaults on debt obligations by oil-producing nations could mean a race to the dollar as a reserve currency. On net, only the British pound seems certain to lose ground as a result of the disarray in OPEC.

Foreign currency units per U.S. dollar

Year	Mark	Yen	Pound	Guilder	C. Dollar
1979	1.833	219.2	.4713	2.006	1.171
1980	1.818	226.4	.4299	1.987	1.169
1981	2.258	220.3	.4984	2.493	1.199
1982					
Jan.	2.293	224.7	.5300	2.513	1.192
Feb.	2.365	235.1	.5410	2.593	1.214
Mar.	2.379	241.1	.5536	2.617	1.220
Apr.	2.395	243.9	.5638	2.658	1.225
May	2.312	237.0	.5521	2.568	1.233
June	2.427	251.2	.5685	2.680	1.275
July	2.464	255.0	.5760	2.719	1.268
Aug.	2.477	258.7	.5791	2.723	1.244
Sept.	2.504	263.0	.5837	2.740	1.234
Oct.	2.531	271.3	.5890	2.759	1.229
Nov.	2.553	264.0	.6119	2.786	1.226
Dec.	2.419	241.0	.6180	2.671	1.238
1983					
Jan.	2.389	232.5	.6340	2.628	1.228
Feb.[1]	2.42	235	.655	2.65	1.22

[1]Preliminary.

The future of the German mark is very much determined by the outcome of that country's elections in early March. For the moment, uncertainty about the result has discouraged those who would otherwise hold marks. Meanwhile, the dollar is expected to post moderate gains until the election, perhaps back to the 2.5 level.

Interest rates, the German election, and OPEC continue to hold the keys for the value of the dollar through the end of spring. U.S. currency seems to resist a fall below 225 yen and 2.3 marks per dollar. These values are a firm floor, if the circumstances outlined above continue. [*David Stallings (202) 447-8054*]

Agricultural Commodity Prices

Large global supplies, which exceeded use for most major crops, felt especially in the United States, forced average domestic prices for wheat and coarse grains in calendar 1982 to their lowest levels since 1979. Soybean prices were the lowest since 1976. The prices reflected back-to-back record crops and stagnant world trade due to a declining global economy. Furthermore, during the 1982/83 marketing season, U.S. grain stocks are expected to increase nearly 50 percent, pressuring prices again. However, burdensome supplies may be reduced somewhat through U.S. programs such as the acreage reduction and PIK programs and the blended credit export initiative.

U.S. Farm Prices Hit Lows

Farm prices for wheat in 1982 exhibited a similar pattern to that of 1981, dropping in anticipation of record winter wheat harvests and then picking up strength as harvest pressure dwindled. Prices in both years peaked in January and declined steadily through July, when prices were 14 percent below the beginning of the year. Prices then climbed through December 1982 but ended the year 7 percent below January. During 1982, farm prices dropped to 3-year lows.

Corn prices peaked in the spring of both 1981 and 1982 but reached yearly lows following the record harvests. By the end of 1982, some recovery in prices was evident. Although domestic soybean use and exports are expected to rise, prices last fall reached 6-1/2-year lows in anticipation of record supplies and huge stocks.

Farm Programs To Strengthen Prices

Following 2 consecutive record grain harvests, reduced foreign demand, and a 150-percent buildup in domestic stocks in just 2 years, USDA launched several programs to reduce stocks, lower Government payments, and bolster prices. USDA offered farmers acreage reduction programs for 1982 and 1983 in an effort to limit production. However, the supply-reducing effects were negated somewhat by late announcement of the program and exceptional weather. The 1983 program was expanded to include paid diversion and PIK programs, and participation is expected to be larger.

Two new programs for 1983 and beyond have been announced. Last fall, USDA announced a 3-year export credit program that extends interest-free credit to foreign buyers and blends this credit with that from commercial banks to achieve a lower interest rate. The original $500 million allocated for 1983 went mostly for wheat and wheat flour, but it was also used for corn, vegetable oil, protein meal, rice, and cotton. In early 1983, USDA announced an additional $1.25 billion allocation.

At the same time, the Department also inaugurated the PIK program. Farmers who agree to lower their

International commodity prices

Year	Wheat				Corn		Soybeans	Soyoil		Soymeal-44%	
	U.S. No. 2[1]	Argentina[2]	Canada No. 1[3]	Australia[4]	U.S. No. 2 yellow[5]	Argentina[2]	U.S. No. 2 yellow[5]	Decatur	Dutch[6]	Decatur	Hamburg[6]
	Dollars per ton										
1975	149	147	181	167	122	126	210	559	563	141	162
1976	134	128	149	147	115	114	223	414	438	179	203
1977	105	100	116	113	98	93	271	524	579	212	240
1978	131	126	134	119	105	102	259	565	607	189	226
1979	162	159	171	142	118	117	278	610	662	160	254
1980	176	203	192	175	129	159	272	522	598	217	271
1981	176	190	194	175	135	139	272	464	507	223	269
1982	161	166	165	160	110	109	233	404	447	197	233
1982											
Jan.	175	177	181	167	109	120	247	408	455	212	250
Feb.	173	180	172	167	115	114	244	404	454	194	247
Mar.	170	179	160	165	116	110	240	407	452	204	242
Apr.	171	179	162	158	120	112	250	430	483	210	250
May	168	176	168	158	120	112	254	453	510	212	248
June	152	164	157	158	110	108	241	427	472	203	231
July	152	160	163	154	113	119	241	420	463	199	223
Aug.	154	163	160	154	106	116	226	393	430	186	216
Sept.	155	161	160	159	102	105	214	383	427	178	216
Oct.	141	151	159	158	94	93	201	381	416	173	210
Nov.	157	149	163	162	106	98	220	384	403	193	224
Dec.	161	148	170	167	107	103	222	359	399	196	236
1983											
Jan.[7]	166	150	170	167	109	105	225	364	397	199	239

[1]Hard winter ordinary protein, f.o.b. Gulf ports. [2]F.o.b. Buenos Aires. [3]Western red spring 13.5% protein, in store Thunder Bay. [4]July-June crop year, standard white, f.o.b. selling price. [5]F.o.b. Gulf ports. [6]F.o.b. ex-mill. [7]Preliminary.

planted acreage by more than required under the 1983 acreage reduction programs will be paid in kind from Government-held or farmer-owned reserve stocks as compensation for the reduction. All of these programs are expected to reduce supplies through lower production and stocks and higher exports, thus bolstering U.S. crop prices.

Export Prices Mirror U.S. Farm Prices

Prices of grains and oilseeds at the Gulf ports dropped in tandem with farm prices during 1982. Also, prices of U.S. commodities in Rotterdam, a world grain-pricing center, were significantly lower than in 1981, reflecting record supplies and slack demand. The low prices can be explained by a commonly used statistical measure—world grain stocks as a percentage of use. By the end of 1982/83, this figure is expected to be 17.8 percent, the highest in more than a decade. However, for many countries, the strengthening dollar outweighed the drop in U.S. export prices, since many foreign customers paid about the same or even more in their currencies than they did in 1981. Also, the drop in U.S. prices for grains did not result in the usual increased purchases by foreign buyers.

Import Prices Lower in 1982

A preliminary index of import prices (published by the Bureau of the Census) fell 10 percent to 112 (1977=100) in 1982, after declining 7 percent the previous year. Prices for most of the major import commodities—namely, sugar, coffee, cocoa, meats, and rubber—fell 2 to 25 percent. There were a few increases in import prices during 1982, but these were mainly limited to processed commodities, such as cheese, bakery products, and beer. The raw commodities that showed increases were bananas and unmanufactured wool.

Coffee Prices Stable

Coffee prices remained relatively stable during 1982, with the spot price at New York ranging between $1.36 and $1.41 a pound since mid-March. The decline from $1.54 in mid-February was moderate given the record 1981/82 crop and subsequently high stocks. This can be attributed to the success of the International Coffee Organization in maintaining its members' export quotas at levels consistent with import demand.

World, Domestic Sugar Prices Diverged

World and U.S. sugar prices diverged considerably during 1982, averaging 8 cents and 20 cents a pound, respectively. While U.S. prices were unchanged for the year, world prices fell from 17 cents a pound in 1981. This is the widest gap between the two prices on record and reflects 2 successive years of overproduction worldwide, declining U.S. demand, and the U.S. system of import quotas, duties, and fees established during 1982.

Meat Import Prices Mixed

The import unit value of fresh and frozen beef—lean, manufacturing grade beef imported primarily from Australia, New Zealand, Canada, and Central America—fell from 99 to 90 cents a pound in 1982, a result of lower demand in the United States and the large influx of Australian beef. The latter can be directly attributed to the continuing drought in Australia, accelerating cattle slaughter there. Total U.S. imports of fresh and frozen beef rose 11 percent in 1982.

Meanwhile, U.S. pork production was down 10 percent in 1982, despite profitable conditions in the industry. Demand was great enough to warrant a 27-percent increase in fresh and frozen pork imports while at the same time allowing for an 18-percent increase in the import unit value to 87 cents a pound. Part of this increase can also be attributed to a U.S.-Canadian exchange rate favoring imports of Canadian goods. [*Bradley Karmen (202) 447-8879 and Stephen Milmoe (202) 447-8054*]

U.S. AGRICULTURAL TRADE

Exports Stagnate

U.S. agricultural exports fell 15 percent to $36.6 billion during calendar 1982, in the midst of a continuing, worldwide economic slump. Mounting surpluses of grain in the United States and the relative strength of the dollar exerted downward pressure on export prices. As a result, while the overall price level fell 8 to 10 percent, the volume of farm exports also slipped 6 percent to 152 million tons, dropping the value to a 3-year low.

U.S. imports of agricultural commodities fell 9 percent to $15.2 billion in 1982, primarily from lower prices and a 48-percent decline in the volume of sugar imports. This produced an agricultural trade surplus of $21.4 billion, 19 percent below last year's record.

The outlook for this year does not look much brighter. The second consecutive bumper harvest in the United States, coupled with continued sluggish foreign demand, could push export values even lower—now projected at $36 billion in fiscal 1983. Circumstances that may improve this bleak picture include the trend towards a moderate economic recovery worldwide, a stabilizing of the U.S. dollar against other currencies, the mitigation

U.S. agricultural export values[1]

Commodity	1979	1980	1981	1982
	Billion dollars			
Grains and preparations	14.4	18.0	19.4	14.6
Wheat	5.3	6.4	7.8	6.7
Wheat flour	.2	.2	.2	.2
Feed grains	7.7	9.8	9.4	6.4
Rice	.9	1.3	1.5	1.0
Oilseeds and products	8.9	9.4	9.6	9.1
Soybeans	5.7	5.9	6.2	6.2
Soybean cake and meal	1.4	1.7	1.6	1.4
Soybean oil	.8	.7	.5	.5
Animals and products	3.8	3.8	4.2	3.9
Hides and skins	1.3	1.0	1.0	1.0
Red meats, incl. offals	.9	.9	1.0	1.0
Animal fats	.7	.8	.8	.7
Poultry products	.4	.6	.8	.5
Dairy products	.1	.2	.3	.3
Fruits, vegetables, and nuts	2.5	3.3	3.6	3.1
Cotton, incl. linters	2.2	2.9	2.3	2.0
Tobacco	1.2	1.3	1.5	1.5
Feeds and fodders	.8	1.1	1.0	1.0
Other	.9	1.4	1.7	1.4
Total	34.7	41.2	43.3	36.6

[1]Calendar year.

U.S. agricultural export volumes[1]

Commodity	1979	1980	1981	1982
		Million tons		
Wheat	33.4	35.7	43.9	40.8
Wheat flour	1.0	.8	.9	1.2
Feed grains	65.9	72.6	64.9	56.2
Rice	2.3	3.1	3.2	2.6
Feeds and fodders	5.1	6.4	5.9	5.9
Soybeans	20.9	21.8	21.8	25.5
Soybean meal	6.1	7.1	6.3	6.2
Other oilcake and meal	.4	.4	.4	.2
Soybean oil	1.1	1.1	.8	.9
Other vegetable oils	.5	.7	.8	.7
Sunflowerseed	1.3	1.5	1.7	1.5
Cotton, including linters	1.6	1.9	1.3	1.5
Tobacco	.3	.3	.3	.3
Fruits, vegetables, & nuts	3.3	4.1	4.4	3.5
Beef, pork, & variety meats	.4	.4	.4	.4
Poultry meat	.2	.3	.4	.3
Animal fats	1.3	1.6	1.6	1.5
Other	2.2	3.1	3.4	2.8
Total	147.3	162.9	162.4	152.0

[1]Calendar years. Excludes animal numbers and some commodities reported in cases, pieces, dozens, liquid measures, etc.

of financial crises, particularly in Eastern Europe and Latin America, and the success of various supply control programs here and abroad.

Soybean Exports Improved

With $8.1 billion, soybeans and products led export earnings in calendar 1982. Nevertheless, exports in this category were down 2 percent from 1981. Feed grains fell from first place in 1981 to third in 1982, following both soybeans and wheat. These three commodities, combined, accounted for nearly 60 percent of the value of all U.S. agricultural exports.

The export volume of soybeans and soybean oil increased by 17 and 14 percent, respectively, during 1982, while soybean meal declined 2 percent. Brazil, one of the largest exporters of soybean products, harvested a short crop in early 1982, which not only limited its exports but stimulated purchases of U.S. soybeans. Also, the relative prices of soybean meal and corn shifted in the European Community (EC), where nearly 60 percent of all U.S. soybeans and meal are shipped. Over the last half of 1982, the price of soybean meal at Rotterdam was $5 to $10 a ton below the price of corn in the EC. This price shift encouraged substitution of soybean meal for corn in EC feed rations.

Soybean oil exports recovered in 1982, with shipments of 933,000 tons (compared with 819,000 in 1981). Most of the exports were destined for the developing countries of Asia and Latin America. Pakistan was the largest market for U.S. soybean oil, followed by Mexico, Colombia, Venezuela, Bangladesh, Peru, Ecuador, and India. A fourth of all U.S. soybean oil exports were concessional sales in 1982.

Wheat exports fell 7 percent to 40.8 million tons in 1982, partly from increased competition from Canada and Argentina. China remained the largest market, purchasing 6.8 million tons, followed by the Soviet Union, Brazil, Egypt, and India. India is attempting to rebuild food grain stocks following the poor 1982 monsoon.

Feed Grains Hardest Hit

U.S. exports of feed grains fell the most in 1982. The volume was off 13 percent to 56.2 million tons, following an 11-percent decline in 1981. The continued decline can be attributed to a number of factors. Japan, the largest U.S. market, resumed buying sorghum from Argentina and purchased corn from South Africa in 1981, lowering the U.S. market share. The growing economic crisis in Mexico, coupled with a bumper corn harvest in 1981, dramatically limited import demand for feed grains. Eastern Europe also had severe financial problems and was forced to make significant cutbacks in the pork and poultry industries of most countries, lowering the use of imported U.S. feed grains. The EC shifted to feeding more soybean meal in addition to other nongrain feeds, and continued to expand the use of surplus wheat for feed. Exports of U.S. feed grains to Eastern Europe, the EC, Japan, and Mexico fell by more than 12 million tons in 1982.

Poultry Exports Fall

Exports of animals and products fell to $3.9 billion but increased their share of total farm exports to 11 percent. Virtually all of the decline can be attributed to the falloff in poultry exports. Following a record 386,000 tons of poultry meat shipped in 1981, exports fell 30 percent to 269,000 tons in 1982. Competition from Brazil and the EC heated up late in 1981 and continued to hamper U.S. shipments throughout 1982. On the other hand, dairy products, cattle hides, and beef exports registered growth.

Cotton exports in 1982 (excluding linters) amounted to 1.4 million tons (6.4 million 480-pound bales) valued at $2 billion. The export price of cotton fell precipitously, 21 percent, helping to generate a 10-percent increase in export volume, despite record cotton harvests in the major importing countries, particularly China, during a period of stagnant growth in world textile production. [*Stephen R. Milmoe (202) 447-8054*]

WORLD COMMODITY DEVELOPMENTS

1982 World Production

Output Stabilizes

World agricultural production in 1982 held closely to the record output volume of 1981, and exceeded the average of the past 3 years by nearly 2 percent. Most regions produced well above the average of the past 3 years. Both the Soviet Union and China raised agricultural production considerably above the previous year.

Together, the developing countries of the world increased 1982 production 3 percent from the average of the past 3 years, while the developed countries raised their output about 2 percent. South Asia, a densely populated region, has boosted agricultural output substantially during the past 2 years, largely because of good weather. Output in the Republic of South Africa and in Oceania fell more than 10 percent from a year earlier, primarily from drought damage to corn and sorghum crops in South Africa and to wheat, barley, and oat production in Australia.

Indices of agricultural production

Country	1978	1979	1980	1981	1982[1]	1982/ 1981	1982/ 1979-81	Growth[2]
			1969-71 = 100				*Percent Change*	
Developed	116	119	119	123	123	0	2.2	1.8
United States	118	124	118	132	130	−1.5	1.0	2.3
Canada	119	115	118	128	132	3.1	9.7	2.3
Japan	105	105	94	95	98	3.1	0	−.2
South Africa	133	128	135	151	132	−12.6	−.4	3.0
Oceania	120	113	107	116	104	−10.3	−7.4	1.1
Western Europe	115	119	124	121	122	.8	.8	1.8
Developing	129	128	131	137	136	−.7	3.0	2.9
South and Central America	132	135	139	146	144	−1.4	2.9	3.3
Other East Asia	143	144	148	155	155	0	4.0	4.0
South Asia	124	118	120	128	127	−.8	4.1	2.2
Middle East	140	139	142	142	146	2.8	3.5	3.5
Other Africa	113	113	117	119	121	1.7	4.0	1.6
Centrally planned	126	125	123	124	127	2.4	2.4	2.0
USSR	123	115	112	110	115	4.5	2.4	1.0
Eastern Europe	126	124	121	124	123	−.8	0	1.8
China	131	143	142	148	151	2.0	4.6	3.6
World	123	124	123	127	127	0	1.8	2.2

[1]Preliminary estimates as of Nov. 1982. [2]Annual compound growth rate, 1969-82.

Indices of per capita agricultural production

Country	1978	1979	1980	1981	1982[1]	Growth[2]	Pop.[2]
			1969-71 = 100			*Percent*	
Developed	109	111	109	112	112	1.0	.9
United States	111	113	106	117	115	1.2	1.0
Canada	108	104	105	113	115	1.2	1.1
Japan	96	94	84	85	87	−1.2	1.1
South Africa	109	103	105	115	98	.5	2.5
Oceania	106	99	92	99	88	−.4	1.4
Western Europe	111	114	119	115	116	1.4	.5
Developing	106	103	102	104	101	.3	2.5
South and Central America	108	108	109	112	107	.9	2.5
Other East Asia	119	116	117	119	116	1.7	2.4
South Asia	103	96	95	99	96	−.1	2.3
Middle East	112	108	107	103	103	.6	3.0
Other Africa	90	88	89	87	86	−1.2	2.9
Centrally planned	112	109	106	106	107	.6	1.4
USSR	114	106	103	100	103	.1	.9
Eastern Europe	119	117	113	115	114	1.1	.7
China	113	122	119	123	124	1.9	1.7
World	106	105	103	104	103	.4	1.8

[1]Preliminary. [2]Annual compound growth rate, 1969-82.

Per Capita Production Falls

Although world agricultural production is growing 2.2 percent annually, population is increasing 1.8 percent. Consequently, agricultural output per capita grew only 0.4 percent over the past decade. Per capita production during 1982 was only slightly better than 10 years ago and was about 3 percent lower than 1978's record high.

Per capita output in Africa has declined about 1 percent annually over the past decade. Two-thirds of the developing countries of Africa have experienced declining per capita output, and 80 percent of the African people live in countries where agricultural production is growing less rapidly than population. Per capita output has also dropped significantly in Japan, primarily from a recent slowdown in rice production. Other East Asian countries have collectively raised their per capita production by 1.7 percent annually, and China has led the rest of the world with a 1.9-percent rate. South Asian countries, with over 20 percent of the world's population, have increased agricultural output commensurate with the 2.3-percent annual rise in population.

Grain and Meat Output Rising

Grain production has been growing 2 percent annually over the past decade and in 1982 constituted about 30 percent of total agricultural output. Four countries—the

United States, China, the USSR, and India—produce about 55 percent of all grains, the same as 10 years ago (1970-74 average). Nearly 80 percent of the grain produced during 1982 was wheat (28 percent), corn (27 percent), and rice (25 percent). The Soviet Union leads in wheat production, the United States in corn, and China in rice.

Meat follows grains in importance, with about 25 percent of world agricultural output and an average growth of 2.2 percent annually. The developing countries are increasing the production of meat, milk, and eggs at a faster rate than either the centrally planned or developed countries. But with one-half of the world's population, the developing countries produce less than one-fifth of all livestock products.

Oilseed production made the largest gains in the past decade, averaging 3.2 percent annually. Most of the gain has been in soybeans, where the United States led with an output of nearly 62 million tons in 1982, double the amount 12 years ago (1969-71 average). Brazil increased soybean production from 1.5 to 12.8 million tons over the same period. Argentina, which produced very few soybeans a decade ago, now ranks fourth in world output, with 4 million tons in 1982. China, the third largest producer in 1982, has an estimated output of nearly 10 million tons in the current season.

Pulses, roots, and tubers continue to provide a basic food supply in many countries, but these traditional subsistence crops are showing little or no increase in output. The higher growth of other foods, such as grains, livestock products, oilseeds, and even sugar, indicates a shift in the demand for more high-protein and high-valued crops to replace some of the traditional ones, especially in most of the developing countries. [*Boyd Chugg (202) 447-8056*]

Growth in agricultural production[1]

Commodity	1982 Share	Developed	Developing	Centrally Planned	World
		Percent			
Grains	30.4	1.9	2.1	2.0	2.0
Pulses	1.4	1.4	−.2	.2	0
Roots and tubers	5.8	−1.2	1.8	0	.4
Oilseeds	5.6	3.7	3.2	2.2	3.2
Vegetables	1.4	.7	6.1	2.0	2.5
Fruits and nuts	5.1	1.4	2.4	2.3	1.9
Meats	24.8	1.7	3.7	2.4	2.2
Milk	12.9	1.1	2.1	1.1	1.3
Eggs	3.8	.8	4.1	3.9	2.2
Sugar	3.0	2.1	2.0	1.2	1.8
Fibers	3.2	1.0	.3	1.8	1.1
Other[2]	2.8	.3	2.2	2.9	1.8
Total	100.0	1.8	2.9	1.9	2.2

[1]Annual compound growth rate, 1969-82. [2]Mostly tea, coffee, tobacco, and spices.

Food Grains

World supplies of food grains in 1982/83 are expected to be 3 percent higher than last year because increased wheat production and stocks more than offset a fall in rice output. Foreign supplies may be up 20 million tons,

Wheat: World production, consumption, and net exports[1]

Country	1980/81			1981/82			1982/83[2]		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
					Million tons				
Major exporters									
United States	64.6	21.1	41.9	76.2	23.2	49.0	76.4	23.8	41.4
Canada	19.2	5.0	17.0	24.8	5.2	17.8	27.6	5.2	20.0
Australia	10.9	3.6	10.6	16.3	3.8	11.0	8.5	4.0	7.5
EC-10	55.1	43.9	10.4	54.4	44.6	11.0	59.4	44.8	13.1
Argentina	7.8	4.0	3.9	8.1	4.2	4.3	14.0	4.2	8.0
Turkey	13.0	12.9	.5	13.2	13.4	−.4	13.8	14.0	−.6
Major importers									
USSR	98.2	116.7	−15.5	80.0	99.0	−19.0	86.0	105.5	−19.5
China	55.2	69.0	−13.8	59.6	72.8	−13.2	63.0	76.0	−13.0
Eastern Europe	34.5	38.2	−3.5	30.5	35.6	−4.5	33.8	35.8	−1.8
Other W. Europe	9.7	8.8	−.3	6.5	8.3	−1.5	8.5	9.1	0
Brazil	2.7	6.6	−3.9	2.2	6.3	−4.5	1.8	6.1	−4.1
Mexico	2.7	3.5	−1.2	3.1	4.0	−.9	4.2	4.2	0
Other Latin Am.	1.6	7.6	−5.8	1.4	7.5	−6.1	1.4	7.9	−6.6
Japan	.6	6.1	−5.7	.6	6.1	−5.4	.7	6.0	−5.4
India	31.8	34.3	0	36.3	36.3	−2.2	37.8	39.8	−4.9
South Korea	.1	2.1	−2.1	.1	2.0	−2.0	.1	2.1	−2.1
Indonesia	0	1.4	−1.5	0	1.4	−1.4	0	1.5	−1.5
Other Asia	15.6	21.8	−6.1	16.4	22.8	−6.6	16.4	22.9	−8.2
Egypt	1.8	7.5	−5.6	1.9	7.7	−5.8	2.0	7.9	−6.0
Morocco	1.8	3.8	−2.0	.9	3.2	−2.3	2.2	4.0	−1.9
Other N. Africa/ Mideast	11.5	21.5	−10.3	11.7	22.5	−10.4	11.0	23.6	−12.5
Other Africa	2.3	6.4	−3.6	3.3	6.7	−4.0	3.4	7.0	−3.6
Residual	.2	.7	−3.4	.3	3.7	−2.9	.4	2.9	−1.7
World	440.9	446.5		447.8	440.3		472.4	458.3	

[1]Trade on July-June years. [2]Forecast.

entirely in wheat. U.S. food grain production is about the same, but beginning stocks are higher. World consumption is likely to be below production, causing a rise in ending stocks. World trade is expected to remain at last year's level, with prices continuing to be depressed.

Wheat Supplies Up, Prices Down

The world wheat situation continues to be overburdened by record-large production and huge stocks, which have led to aggressive export marketings and a drop in international export prices to the lowest level since the end of the 1970's.

World wheat production in 1982 hit a record for the second consecutive year. Records were reached in the United States, Canada, Mexico, Argentina, the EC, Turkey, India, and China. Australia, Brazil, and Algeria were the only countries that experienced significant shortfalls from the previous year. The USSR output, while higher than in 1981, is the fourth consecutive poor crop. Winter wheat, about two-thirds of world production, was sown under generally favorable conditions throughout the world, except in the USSR where extreme dryness hampered developments. Unless very poor weather occurs over the next 6 months, world wheat production in 1983 is likely to be near this year's.

World wheat consumption in 1982/83 increased significantly, after remaining flat for 3 years. Even so, production outstripped consumption, boosting ending stocks by one-sixth from a year ago. The world stocks-to-use ratio is close to 21 percent, the highest since the late 1970's. Of the 14-million-ton increase in world stocks, the United States will absorb about 11 million tons. In 1983/84, world production and use could be closer in balance, leaving stocks only marginally higher than this year.

The focus in the world wheat market has centered on trade developments. Record-large supplies in all but one of the major exporters have spurred aggressive marketing. Record exports are anticipated for Canada, Argentina, and the EC, and their combined exports will increase by 7 million tons from last year. Almost all of this increase is destined for China and the USSR. However, Australian exports are anticipated to be down about 3.5 million tons because of their drought-reduced crop, but other small exporters will increase their sales somewhat. These changes will push U.S. wheat exports down about 7 million tons from last year, mostly because of a corresponding drop in U.S. sales to China and the USSR.

Aggressive marketing has characterized wheat trade and will likely continue as long as supplies remain plentiful. EC subsidies for wheat and flour exports continue to grow very large. They play an important role in world trade and are critical to EC exports since high internal EC prices continue to diverge from low world prices. Supply agreements between several exporting and importing nations have been extended, and new ones have been created to ensure stability in many markets.

World demand continues to be weak as many importers face severe financial constraints. Last fall, the United States announced a blended credit program to enable importing countries to pay interest rates below commercial rates for the purchase of U.S. farm products. So far, most of the program has been used for about 2.4 million tons of wheat sales to developing countries. In January, USDA also announced the sale of 1 million tons of subsidized wheat flour to Egypt.

Rice: World production, consumption, and net exports[1]

Country	1980/81			1981/82			1982/83[2]		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
					Million tons				
Major exporters									
United States	4.8	2.1	3.0	6.0	2.2	2.5	5.0	2.4	2.3
Thailand	11.5	8.4	3.0	12.4	8.6	3.6	11.4	8.6	3.5
Pakistan	3.1	2.1	1.1	3.2	1.9	.8	3.1	2.1	1.1
China	95.1	94.7	.5	97.9	97.6	.3	102.0	101.4	.7
India	53.6	53.3	1.0	53.6	54.4	.6	45.0	46.8	.2
Burma	8.3	7.6	.7	8.5	7.8	.7	8.8	8.0	.8
Japan	8.9	10.1	.7	9.3	10.4	.3	9.4	10.7	.4
Italy	.7	.3	.1	.6	.3	.1	.6	.3	.4
Australia	.5	.1	.3	.6	.1	.6	.4	.1	.4
Major importers									
Indonesia	20.2	21.3	−.5	22.3	22.3	−.3	22.3	23.1	−1.5
South Korea	4.0	5.4	−2.3	5.1	5.5	−.2	5.2	5.5	−.2
Bangladesh	13.9	13.6	0	13.6	14.2	−.4	13.5	14.0	−.4
Vietnam	7.6	7.7	−.1	8.2	8.3	−.1	9.0	9.0	0
Other Asia	15.8	16.7	−.8	16.6	17.0	−.8	16.2	16.9	−.1
USSR	1.8	3.0	−1.2	1.6	2.3	−.7	1.6	2.3	−.7
Brazil	5.9	6.3	0	6.5	6.4	−.1	6.1	6.5	−.2
Other Latin Am.	4.3	4.4	−.1	4.8	4.6	+.2	4.7	4.9	+.1
Iran	.8	1.4	−.6	.6	1.3	−.6	.7	1.3	−.7
Other N. Africa/ Mideast	1.9	3.3	−1.5	1.8	3.4	−1.7	1.9	3.7	−1.8
Malagasy	1.4	1.6	−.2	1.3	1.6	−.4	1.3	1.6	−.3
Nigeria	.7	1.2	−.7	.8	1.4	−.6	.9	1.5	−.6
Other Africa	1.7	3.1	−1.6	1.7	3.4	−1.7	1.8	3.6	−1.9
Residual	.7	1.1	−.8	.6	3.0	−2.1	.6	2.1	−1.5
World	267.2	268.8		277.6	278.0		271.5	276.4	

[1]Trade on calendar years; calendar 1982 corresponds to 1981/82. [2]Forecast.

Rice Output and Trade Down

The world rice forecasts for 1982/83 show supplies (production plus beginning stocks) down 6.5 million tons, consumption down 1.5 million, and ending stocks down 5 million. However, with much of the change centered in India, world trade and prices will remain depressed.

World production of milled rice is forecast at 272 million tons, down 2 percent from last year. Of the 6-million-ton drop, 1 million is in the United States. While the lower U.S. production can be attributed to poor prices and the acreage reduction program, weather was the overriding factor in the rest of the world. The largest decline is in India, where output may be down 9 million tons. Thailand's crop is also reduced. In contrast, China's output should reach a record 100 million tons, and Indonesia's harvest is expected to equal last year's record.

Total consumption is projected to fall because of the reduction in India, but world use will exceed output. Thus, world ending stocks may fall sharply—to the lowest level in 8 years. However, while competitors like India, Thailand, and Japan experience stock reductions, U.S. stocks are rising.

World trade in calendar 1982 fell to 11.6 million tons, more than a million tons below the previous 2 years. However, in 1983, some improvement is expected. U.S. trade has fallen off sharply. U.S. export prices fell about 20 percent during 1982 as ample supplies, domestic price supports, and weak world demand made U.S. rice noncompetitive. For calendar 1982, U.S. exports dropped to 2.5 million tons, from 3 million in 1981. Nevertheless, recent U.S. export enhancement programs, such as the small blended credit arranged for Yemen and the credit guarantees for Iraq, have given some stimulus to sales. [*Bradley Karmen (202) 447-8879 and Eileen Manfredi (202) 447-8912*]

Coarse Grains

World coarse grain production is record large in 1982/83, 3 percent above last year's harvest. Most of the growth is in the United States, China, and Europe. Use will likely remain below output because of the economic recession and financial constraints on imports in several areas. Global trade is down significantly as the Soviets reduce their import program. Carryover stocks—almost three-fourths in the United States—may exceed 20 percent of world consumption, the highest share since the early 1960's.

Record Yields Achieved

U.S. production reached a record 255 million tons in 1982, largely because of alltime-high corn yields of 115 bushels an acre. Foreign yields are also likely to reach new highs, offsetting the estimated 2-percent drop in area. Output expanded in most major regions of the Northern Hemisphere, except Mexico and India. But, early prospects point to a shortfall in Southern Hemisphere crops. Severe drought struck the Australian barley and sorghum crops, and South Africa's corn crop has suffered from drought again this year. With area down

Coarse grains: World production, consumption, and net exports[1]

Country	1980/81			1981/82			1982/83[2]		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
					Million tons				
Major exporters									
United States	198.4	147.3	72.1	249.0	154.2	61.1	255.5	157.3	55.6
Canada	21.8	17.9	3.2	26.0	18.3	6.8	26.6	18.5	5.8
Australia	5.2	3.1	2.2	6.7	3.7	3.4	4.2	2.9	1.6
Argentina	21.0	6.5	9.9	18.4	6.5	13.6	16.3	6.6	11.7
Thailand	3.6	1.2	2.4	4.5	1.2	3.2	3.7	1.5	2.1
South Africa	15.3	7.8	3.6	8.9	8.2	4.8	9.2	8.3	3.7
Major importers									
USSR	80.5	100.5	−18.1	72.0	97.5	−25.6	85.0	98.0	−13.0
China	84.1	85.0	−.9	80.8	82.1	−1.3	85.0	87.5	−2.5
Eastern Europe	61.1	71.5	−8.7	61.9	66.7	−5.7	67.0	70.5	−3.0
EC-10	69.7	76.0	−6.3	67.9	74.1	−5.7	70.4	74.9	−5.0
Other W. Europe	25.2	32.1	−7.7	20.0	32.3	−12.1	21.3	31.9	−10.5
Brazil	22.9	22.8	−2.1	23.4	22.8	−.1	24.1	23.3	+.8
Mexico	14.7	18.6	−8.2	16.9	21.0	−2.1	11.3	20.8	−5.4
Venezuela	1.1	2.1	−1.2	.8	2.5	−1.7	1.3	2.7	−1.4
Other Latin Am.	7.8	9.9	–	−2.4	7.9	10.1	−2.1	8.0	10.4
Japan	.4	19.2	−18.9	.4	19.1	−18.2	.4	18.7	−18.2
Taiwan	.1	3.7	−3.6	.1	3.9	−3.7	.1	4.1	−3.9
South Korea	1.0	3.8	−2.5	.9	4.2	−2.7	.9	4.4	−3.2
Other Asia	41.8	43.6	−1.9	44.9	46.8	−1.8	42.1	44.5	−2.1
Egypt	4.0	4.9	−1.3	4.0	5.0	−1.2	3.8	5.2	−1.4
Iran	1.1	2.3	−1.2	1.2	2.3	−1.3	1.2	2.3	−1.3
Israel	–	1.2	−1.1	–	1.2	−1.2	–	1.3	−1.4
Other N. Africa/ Mideast	17.3	20.4	−3.3	17.4	21.0	−4.4	18.3	22.9	−4.7
Other Africa	30.5	31.3	−2.2	30.2	31.7	−1.6	29.0	31.5	−1.3
Residual	.8	7.8	−1.8	.7	−3.5	−.4	.6	−3.4	−.6
World	729.4	740.5		764.9	732.9		785.3	746.6	

– = negligible. [1]Production and consumption on marketing year basis, trade on July-June year. [2]Forecast.

and weather poor, Argentine corn and sorghum production will likely decline.

Demand Continues Sluggish in 1982/83

Following 3 years of decline, world coarse grain use may increase 2 percent, about equaling the 1978/79 record. World trade (July-June) will contract to about 92 million tons, down from 103.6 million last year and 105.5 million in 1980/81. Despite huge supplies, little increase in use is foreseen in the United States. However, foreign use will likely recover from last year's 2.5-percent decline.

Soviet coarse grain use is estimated to be unchanged from a year earlier. Production rose 13 million tons, but imports have been slow and may drop to half the 1981/82 volume. The Soviets have larger supplies of forage and wheat for livestock feeding and have increased soybean meal imports. In China, use will rebound sharply with the recovery in output and larger imports. Eastern Europe's record crop will also enable a recovery in use, and imports will likely decline to about 4.5 million tons, substantially below levels of recent years. Poland and East Germany, two of the largest importers, are seeking credit and barter deals to import grain without the use of hard currency.

In the foreign developed countries, feed use of coarse grains may decline an additional 2 to 3 percent. Little gain is expected for other uses. Weak demand has reduced livestock product prices in many areas. EC feed use of coarse grains is estimated down 4 percent—the fourth year of decline. Imports are down significantly. Use may decrease 3 percent in Japan, but imports may total near the 1981/82 level. Following several years of rapid growth, feed use of coarse grains in Spain may decline 7 percent. Hog numbers dropped 5 percent in 1982 and may drop a similar amount in 1983, and Spain's poultry industry is suffering from a glut in supplies. Therefore, Spain's coarse grain imports will likely fall sharply in 1982/83.

Following a 5-percent advance last year, coarse grain use in the developing countries may increase less than 1 percent in 1982/83, mainly because of crop shortfalls in India and Mexico—two of the largest users. Feed use in the developing countries may rise about 4 percent, compared with 8 percent in 1981/82.

Mexico will expand its imports sharply to offset the poor crop. Most of the imports will be made through the U.S. Commodity Credit Corporation (CCC). Venezuelan imports will likely decline from last year's record.

The coarse grain imports of Taiwan and South Korea are forecast to rise in 1982/83 because of expansion in the hog industries. Smaller gains are anticipated for other markets in the Far East. Saudi Arabia's imports will continue to expand rapidly. Egyptian imports are forecast up 15 percent because feed use may grow a tenth.

U.S. Exports Face Strong Competition

With the world trade volume shrinking, the export market is highly competitive. Canada harvested a record coarse grain crop, but exports are forecast to decline because of weak demand and heavy wheat shipments. Argentine exports will be down about 15 percent during 1982/83 but will still be the second largest ever. Australian, Thai, and South African exports are also expected to be down. Thus, the U.S. market share may improve slightly from 1981/82's 59 percent but will remain well below the 69 percent of 1980/81.

Stock Buildup, Low Prices in Prospect

World carryover stocks may exceed 150 million tons in 1983, almost double the 1981 level. U.S. stocks will account for all the accumulation anticipated this year. The Soviets are not expected to increase their stocks, but with improved grain production, Poland may be able to rebuild stocks. Canadian stocks will likely rise because of weak export demand.

This prospective stock buildup has put pressure on coarse grain prices. In January 1983, the U.S. corn price (No. 3, f.o.b., Gulf) averaged $107 a ton, down from $116 in January 1982 and $155 in January 1981. Little seasonal improvement is anticipated for the spring. The PIK program has strengthened prices in the past month, but additional strength is not expected until stocks are drawn down.

1983/84 Outlook Is Uncertain

U.S. coarse grain production in 1983 is expected to be reduced because of heavy participation in the PIK program. Early prospects for foreign crops in the Northern Hemisphere point to harvests about on trend—slightly above 1982/83. Demand is likely to strengthen as the world economy improves. Thus, some reduction in burdensome stocks is foreseen. [*Sally Breedlove Byrne (202) 447-8857*]

Oilseeds

Large Supplies in 1982/83

World oilseed production in 1982/83 is expected to rise nearly 6 percent above last year's record volume. Most of this gain stems from increased soybean, rapeseed, and sunflowerseed output, which offset declines in cottonseed and peanut output. In the Southern Hemisphere, Brazil's prospective 14-million-ton crop forecast for soybeans is 9 percent above a year ago. Argentina's soybean crop, estimated at 3.8 million tons, will be down from a year ago. This decline is due to a drop in planted acreage because of dry weather. In contrast, Argentina's sunflowerseed acreage has jumped by nearly one-fifth because of strong demand in 1981/82 and favorable prices. Sunflowerseed production in Argentina could rise 16 percent in 1982/83 to 2.1 million tons.

For 1983/84, world soybean output may fall below trend because of an expected decline in U.S. soybean acreage. U.S. acreage will most likely fall because of farmers' participation in PIK programs for grains and cotton and less double-cropped soybean acreage.

Soybean Meal Use Moderately Stronger

World soybean meal use is currently estimated up almost 6 percent, primarily because of a sharp increase in Soviet protein meal use. Slow economic recovery is limiting expansion in many foreign nations, and a strong dollar makes imports more costly.

U.S. feeding rates for soybean meal are increasing compared with a year ago, partly because of the reduced availability of cottonseed meal. Better-than-expected U.S. poultry production and a smaller-than-expected

Soybeans and products: World production, consumption, and net exports[1]

Country	1980/81			1981/82			1982/83[2]		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
					Million tons				
Soybeans									
Major exporters									
U.S.	48.77	27.77	19.71	54.44	28.03	25.29	61.97	30.35	25.86
Brazil	15.20	13.83	.64	12.80	12.44	−.64	14.00	13.35	−.40
Argentina	3.50	.95	2.70	4.00	1.40	2.00	3.80	1.78	1.70
Major importers									
EC-10	.01	10.25	−10.44	.02	11.57	−11.97	.03	12.15	−12.58
Japan	.17	3.50	−4.20	.21	3.60	−4.40	.23	3.70	−4.45
Spain	.01	2.85	−2.79	.01	3.29	−3.30	.01	3.10	−3.10
Eastern Europe	.63	1.20	−.61	.52	1.07	−.59	.68	1.36	−.72
China	7.94	3.43	−.54	9.33	4.04	−.50	8.70	3.54	−.10
Mexico	.28	1.57	−1.37	.68	1.60	−.74	.55	1.45	−.90
Taiwan	.02	.95	−1.11	.02	.96	−1.16	.02	1.01	−1.24
USSR	.52	1.30	−1.40	.45	1.41	−1.50	.48	1.22	−1.20
Residual	3.72	4.20	−.59	3.81	4.95	−2.49	4.24	5.53	−2.87
World	80.77	71.80		86.29	74.36		94.71	78.54	
Soybean meal									
Major exporters									
U.S.	22.06	15.96	6.15	22.36	16.09	6.27	24.16	16.79	7.30
Brazil	10.62	1.70	8.59	9.64	1.62	8.50	10.23	1.65	8.70
Argentina	.70	.28	.42	1.08	.29	.78	1.38	.33	1.05
Major importers									
EC-10	8.27	14.92	−6.69	9.28	16.18	−6.91	9.73	17.05	−7.36
Eastern Europe	.95	5.12	−4.19	.85	4.09	−3.24	1.07	4.27	−3.20
USSR	.99	1.99	−1.00	1.09	2.29	−1.20	.94	3.94	−3.00
Thailand	.05	.19	−.14	.06	.26	−.20	.06	.27	−.21
Philippines	0	.25	−.24	.03	.39	−.36	.03	.38	−.35
Venezuela	.04	.45	−.41	.06	.56	−.50	.06	.56	−.50
Portugal	.22	.43	−.27	.41	.54	−.11	.48	.57	−.10
Japan	2.73	2.91	−.21	2.81	2.89	−.09	2.89	3.00	−.12
Mexico	1.23	1.23	−.18	1.25	1.33	−.01	1.13	1.33	−.15
Residual	8.93	10.96	−1.83	10.16	12.28	−2.93	10.01	12.16	−2.06
World	56.79	56.38		59.08	58.81		62.17	62.30	
Soybean oil									
Major exporters									
U.S.	5.11	4.13	.74	4.98	4.33	.94	5.44	4.45	.94
Brazil	2.60	1.42	1.27	2.33	1.44	.86	2.50	1.60	.91
Argentina	.16	.08	.07	.23	.08	.15	.30	.08	.22
EC-10	1.82	1.48	.40	2.05	1.53	.52	2.13	1.55	.54
Spain	.48	.11	.41	.56	.11	.43	.53	.10	.48
Major importers									
India	.07	.72	−.65	.08	.45	−.38	.10	.70	−.60
Pakistan	0	.23	−.23	0	.25	−.25	0	.30	−.30
Eastern Europe	.21	.41	−.21	.19	.38	−.18	.24	.42	−.20
Iran	.01	.30	−.29	.01	.36	−.35	.01	.41	−.40
Morocco	0	.13	−.12	.01	.15	−.16	.01	.15	−.12
Residual	2.36	3.67	−1.39	2.57	3.96	−1.58	2.55	3.95	−1.47
World	12.82	12.68		13.01	13.04		13.81	13.71	

[1]For soybeans, consumption refers to crush.

decline in sow farrowings also account for increased meal use estimates compared with earlier forecasts.

Foreign soybean meal use is expected to gain 6.5 percent. The Soviet Union is projected to sharply increase soybean meal use, which may be the onset of technically improved feed rations. In earlier years, the Soviet Union was incorporating protein meal in animal rations at only half the rate of commercial producers in other countries. Most Soviet supplies of soybean meal are from imported soybeans. This year, in contrast, soybean meal imports are expected to double, accounting for most of Soviet supplies. Eastern Europe's ability to expand protein meal use is likely to depend heavily on the availability of foreign credit. Protein meal use could rise 5 percent, with the largest gains in Romania, Poland, and Yugoslavia.

In the EC, soybean meal use is forecast up 5 percent. Although the soybean meal/corn price ratio decidedly favors soybean meal, declining hog numbers and poultry production may limit any further increase. Spain's use of soybean meal may decline because of large sunflower meal supplies, decreasing hog numbers, and a glut in poultry output. Also, Spain's new 15.5-percent tax on the domestic soybean meal crush may limit soybean imports. In Japan, imports of U.S. soybeans may stagnate because soybean meal's share of total protein meals may fall as rapeseed continues to gain in market share. But, 1982/83 total use in Japan may increase because of

a small rise in hog production. Mexico is likely to consume about the same amount of soybean meal because of only small gains in soybean production compared with limited resources for imports.

U.S. Exports of Soybeans and Meal Higher

In the perspective of world soybean and soybean meal trade, both the large Soviet imports of soybean meal and the increased U.S. domestic crushing demand could imply a greater increase in U.S. soybean meal trade than the increase in U.S. soybean exports. The United States is expected to export 16 percent more soybean meal, while soybean exports may gain only 2 percent. Crush demand in the United States may be stronger than in the EC. The United States has greater unused capacity compared with near-capacity EC crushing. Also, EC crush margins are relatively unchanged from last year, while U.S. crush margins are higher than last year. The EC is expected to supply the Soviet Union with a large portion of the USSR's projected soybean meal imports of 3 million tons. The United States, however, may directly supply EC markets with soybean meal for domestic use.

Even though Soviet soybean imports are forecast at 1.2 million tons, the United States may not ship any soybeans to the Soviet Union. Brazil and Argentina are expected to supply 0.4 and 0.8 million tons of soybeans, respectively, to the Soviet Union. These levels are nearly two-thirds of Brazil's export forecast and nearly one-third of Argentina's. Argentina's tax policies, which tax soybean exports at a higher rate than soybean meal or oil, may expand Argentina's exports of meal and oil.

In 1982/83, U.S. policies to promote exports through both the credit guarantee program and the recently instituted blended credit program may expand many foreign markets. Pakistan and the Philippines have received blended credit for soybean meal, and Egypt and Pakistan have received blended credit for soybean oil. Turkey, Yugoslavia, and Hungary are among markets offered credit guarantees. Many markets, especially Egypt and Portugal, have expressed interest in obtaining credits under the blended credit program.

U.S. soybean oil exports are forecast unchanged from 1981/82. The U.S. export pace is relatively unchanged from a year ago; however, larger Brazilian supplies, Argentine exports, and abundant EC and Spanish oil supplies may create competition for U.S. soybean oil exports. In addition to competition among soybean oil producer-exporters, U.S. soybean oil exports may face competition from palm oil. Malaysian palm oil supplies increased dramatically in 1982. Palm-tree flowering problems may slow the growth of output in 1983; however, large Malaysian stocks may keep palm oil competitive with U.S. soybean oil.

World soybean production is still relatively large, with a stock buildup anticipated. Therefore, U.S. and world prices have remained depressed. The 1982/83 U.S. season-average price is forecast between $190 and $210 a ton. The export unit value is forecast at approximately $230 a ton—almost $20 lower than last year. With the U.S. dollar strong against many foreign currencies, foreign meal prices in major U.S. export markets may be above a year ago. Recent strength in the U.S. domestic soybean meal market and a strong export pace have raised meal price expectations. U.S. soybean meal prices should range between $180 and $205 a ton. Therefore, some increase is anticipated in export unit values for soybean meal and other protein meals. Soybean oil prices are forecast between $330 and $420 a ton, lower than a year ago because of the weak prospects for vegetable oil demand. [*Jan A. Lipson (202) 447-8857*]

Meat

Consumption May Decline in 1983

Global consumption of red meat and poultry in 1982 was practically the same as a year earlier; gains in poultry meat consumption were sufficient to offset reduced pork availability. Although poultry meat use may increase 2 to 3 percent in 1983, it may not be sufficient to make up for continued reductions in pork and smaller beef and veal supplies.

Lower Beef Production Expected

Beef and veal production showed little movement in 1982, and it is expected to register only a marginal decline in 1983. Substantial declines in output are expected in Mexico, Argentina, and Australia. High farm prices have promoted a rebuilding of the Argentine cattle herd. Although a ban on beef consumption in Argentine restaurants on Thursdays and Fridays was recently lifted, reduced slaughter may cause 1983 beef consumption to fall 50 pounds below the 190 pounds per capita registered in 1981. More normal weather in Australia would reduce slaughtering, thereby lowering domestic consumption and exports. Small gains in beef and veal use are expected in Japan, Korea, the Soviet Union, and some other countries, but Brazil is the only country with a large projected increase.

The 1983 trigger level for U.S. meat import quotas was set at 1.231 billion pounds, down from 1.3 billion in 1982. However, imports subject to the quota are expected to be below the reduced trigger level.

Per capita beef and veal consumption

Country	1979	1980	1981[1]	1982[2]
		Kg., carcass wt.		
United States	49.2	47.8	48.2	48.2
Canada	40.6	41.2	42.2	41.9
Mexico	13.7	15.7	16.3	17.6
Argentina	89.7	85.8	86.6	69.9
Brazil	17.8	16.8	15.4	16.3
EC-10	25.9	25.8	24.8	24.1
USSR	27.0	26.6	26.3	25.9
Japan	4.9	5.1	5.3	5.5
Australia	52.3	49.8	48.8	51.0

[1]Preliminary. [2]Forecast.

Pork Output Recovering Slowly

With the glaring exceptions of the United States, the Soviet Union, and a couple of Eastern European countries, most nations registered small gains in pork production in 1982. The 700,000-ton drop in U.S. output was sufficient by itself to offset all the small gains in other countries. Global pork production will be down again in 1983, lead by reductions in the United States, Poland, and Mexico.

Per capita pork consumption

Country	1979	1980	1981[1]	1982[2]
		Kg., carcass wt.		
United States	31.8	33.6	32.0	28.7
Canada	29.2	32.3	31.3	27.6
Mexico	16.9	13.5	15.8	17.0
Germany, Fed. Rep.	49.0	50.2	50.0	49.1
France	33.3	34.3	34.7	34.6
Netherlands	36.2	35.0	38.7	39.0
EC-10	33.2	33.9	34.0	34.0
Germany, Dem. Rep.	60.2	62.3	62.6	62.8
Poland	49.3	47.8	39.3	40.9
USSR	20.5	19.6	19.9	19.3
Taiwan	39.5	36.0	35.4	35.0
Japan	13.6	14.4	13.9	13.8

[1]Preliminary. [2]Forecast.

Per capita poultry consumption

Country	1979	1980	1981[1]	1982[2]
		Kg., carcass wt.		
United States	27.9	27.8	28.7	29.2
Canada	22.9	23.2	23.0	23.1
Mexico	6.0	6.7	7.0	7.2
Venezuela	15.0	15.4	16.8	16.8
Brazil	8.5	9.3	9.4	10.0
Italy	16.1	16.9	16.7	17.2
France	16.2	16.6	16.6	16.8
EC-10	13.4	13.7	13.6	14.0
USSR	8.2	8.5	9.5	10.2
Hong Kong	24.8	26.6	26.2	28.9
Japan	10.1	10.5	10.5	11.1

[1]Preliminary. [2]Forecast.

U.S. pork producers have been slow to respond to favorable returns, but 1983's 4- to 6-percent decline will be one-half as large as that of 1982. Lack of adequate feed is the main factor behind the lower Polish and Mexican production. Partially offsetting the reduction will be continued small gains in many countries and a recovery of the Soviet Union's output to 1981 levels.

Per capita pork consumption in the EC has been relatively stable for the past 3 years and is expected to remain so in 1983. The Eastern European countries are heavy consumers of pork, but use will decline in 1983—lead by reduced Polish and East German consumption. Lower local feed availability and a policy to minimize feed grain imports will limit pork production and consumption.

Poultry Expansion Slows

The rapid expansion in poultry meat production since the mid-1970's slowed substantially in 1982 because of weak domestic demand in the major producing countries and a slowing of import demand. Growth in output this year may be about as large as in 1982 and will remain well below previous years.

U.S. poultry production in 1982 was only slightly above a year earlier, as turkey producers lowered their output in reaction to poor profit margins in 1981. However, poultry consumption was up 3 percent because of smaller exports of broiler and turkey meat. Improving profit margins are expected to lead to a 2-percent gain in output this year. Larger U.S. exports to the Far East and South America are expected, but additional sales to the huge Middle Eastern market would have to come at the expense of the heavily subsidized EC and Brazilian exports.

The EC's poultry output increased 5 percent last year because intra-EC sales improved and there were several large export shipments. However, stocks are currently building because the Brazilians have preempted some usual EC export markets. Thus, the EC's output expansion will slow in 1983.

Despite the Middle East sales, Brazilian output will also slow in 1983. Brazilian producers have doubled their production since 1977 and currently only lag the United States and USSR in yearly output. Increased production costs and stagnant demand have resulted in only small gains in many of the other South American countries.

Poland's poultry industry was the sector selected to absorb the large reductions in feed availability in 1982. Since feed supplies remain tight, little improvement is forecast for 1983. The Soviet Union's output of poultry meat rebounded to a 9-percent gain in 1982 and may increase another 5 to 7 percent this year. Soviet purchases of poultry meat may drop some in 1983, but the Soviet Union will still remain one of the world's largest importers of this item. [*Gerald Rector (202) 447-8054*]

Dairy

The situation and outlook for milk and dairy products in the major dairy-producing countries of the world is dominated by a number of problems. The problems these countries have in common are: large and expanding milk production; declining fluid use and stagnant demand for manufactured dairy products; burdensome stocks and concentrated efforts to use exports to reduce them; and increased international disputes over export subsidies and import protection. While many of these factors have been around for a number of years, their importance has intensified with the world's poor economic growth.

Production Gains To Continue

Total milk production in 1982 was almost 2 percent above a year earlier and may show another 1- to 2-percent increase in 1983. Most of the gains are the result of increased productivity per milking animal, since the total herd size continues relatively stable. Although dry conditions have reduced pasture and roughage supplies in several countries, some producers have minimized the potential output-reducing effects via increased concentrate feeding.

Milk production in the United States rose a little over 1 million tons in 1982, and it is expected to gain a similar amount in 1983. Lower real prices for milk have failed to nullify the growth-promoting incentives of low feed prices and reduced on- and off-farm employment opportunities for dairy producers. The other major North American milk producers are having mixed results. Higher 1982 price supports lead to a 3-percent rise in 1983 Canadian output. However, reduced production quotas and a much smaller increase in Canadian price supports are expected to cause a 1- to 3-percent decline this year. Mexico is experiencing a drought in many of

its agricultural areas; therefore, milk production will hinge on how well dairy producers are able to get access to the country's limited feed supplies.

The EC's milk production showed a huge jump in 1982 (3 million tons), following almost no growth in 1981. The increase can largely be attributed to high price supports and good grazing conditions. Despite smaller increases in the 1983 target price for dairy (3.2 percent versus 10.5 percent last March), output may be up another 1 to 1.5 million tons.

Reduced feed supplies constrained the Eastern European, South African, and Australian dairy sectors last year. South Africa's output was only maintained through additional grain feeding. Reduced roughage supplies and limited feed grain imports caused a drop in Poland's milk production in the second half of 1982. Through the first half of the Australian marketing year (July-June) output was up, but poor forage supplies make it questionable how long this can be maintained.

Increased milk output was not an unwelcome achievement in some countries. The Soviet Union's production increased around 600,000 tons, following 3 years of decline. A larger dairy herd and improved productivity should enable an increase of 1.5 to 2 million tons in 1983. The Indian and South Korean Governments have successfully invested considerable funds in their domestic dairy industries. Indian milk output rose 1.5 million tons in 1982 and may grow another million or more in 1983. While Korea's production is much smaller, the percentage increases are some of the highest in the world.

Stocks Build as Consumption Lags

Growth in consumption of fluid milk in 1982 was much smaller than the rise in overall milk production, continuing a long-term trend. With feed and other farm uses also declining, most of the increased output has been used in the manufacturing of dairy products. While there has been some increased demand for dairy products, much of the growth in manufacturing use can be traced to the dairy price support mechanisms in several of the large milk-producing countries.

Production of butter, cheese, and nonfat dry milk increased a little over 3 percent in 1982. However, domestic use plus net exports rose only 2 percent, resulting in an unwanted stock buildup. Dairy stocks are concentrated in three regions of the world and are largely government owned. Stocks in the United States on January 1, 1983, totaled 1.28 billion tons, compared with 1.04 million a year earlier. Preliminary estimates indicate a 160,000-ton increase in EC stocks during the same period. While Oceania has much smaller stocks, a substantial increase occurred in 1982.

The United States and the EC have taken several measures to reduce surplus stocks. This January, the EC announced a 6- to 17-percent increase in export subsidies to areas other than the United States. They are also trying to increase nonfat dry milk use in animal feeds. The United States has increased its donations to needy persons (both domestic and overseas). Also, U.S. price supports for milk have been frozen for 2 years, and, under current legislation, will remain at $13.10 per cwt through marketing year 1983/84. This means a continued drop in the real price of milk. Much of the success of the EC and U.S. programs hinges on improvements in world economic conditions. Also, exports and stock levels will be influenced by the Soviet Union's needs. The Soviet Union has made some huge purchases of butter in the past several years to supplement its reduced milk output. [*Gerald Rector (202) 447-8054*]

Sugar

Weak demand and continued prospects of another large world sugar crop in 1982/83 are keeping global sugar prices at a decade low with no likely respite until after 1983.

Output Likely Above Earlier Estimate

USDA initially forecast 1982/83 world sugar production at 98.5 million tons, raw value, down only 1.5 million from 1981/82's record 100 million. Current estimates suggest possibly a slightly higher output. Poland's production could reach a record 1.83 million tons, up more than 220,000 tons from the initial estimate. West Germany's outturn is up more than 160,000 tons. France, Ireland, Argentina, El Salvador, Turkey, Fiji, Japan, and China are also countries with prospects for higher-than-expected sugar production. China now expects to produce a record 3.9 million tons this season, up 6 percent from the initial estimate and 0.5 million tons from last season. Chinese sugar output is rising as a result of increased acreage, yields, government incentives, and expansion in processing capacity for both beet and cane sugar.

The outlook for higher global sugar supplies is moderated by somewhat less rosy prospects in the USSR, where production is now estimated at 6.8 million tons, down from the initial estimate because of reduced beet tonnage harvested and procured for processing. In South Africa, drought in Natal has cut back that country's 1982/83 output (though most of the damage will occur in 1983/84). In Mexico, a cane cutters strike and early rains have shortened the harvest. Production estimates are also down for Indonesia and Pakistan. Overall, 1982/83 world sugar production is unlikely to reach the 1981/82 record, but it still may be up from the initial estimate.

Demand Stays Low; Stocks To Rise

World sugar use in 1982/83 continues to be estimated at 92 million tons, raw value, up 2.8 percent from last season. Demand is robust in Asia, particularly in India where retail prices were reduced last year. Some demand growth is also seen in Africa. Generally, however, the sluggish world economy, artificially high domestic prices in some countries, and further inroads by alternative sweeteners are keeping potential demand from rising rapidly and absorbing the vast surplus of sugar in stock. In addition, world consumption of high fructose corn sirup, competitive with sugar in many uses, has risen from less than 500,000 tons in 1975 to about 4 million in 1982, with further gains foreseen in 1983. Global sugar stocks are estimated to total about 42 million tons by the end of 1982/83. Such a volume, at about 45 percent of estimated annual use, will likely be difficult to work off rapidly.

Prices To Stay Low

The world price of sugar (f.o.b. Caribbean, Contract No. 11) averaged 6 cents a pound in January, down from 6.3 cents in December. Prices averaged 8.4 cents in 1982 and 16.9 cents in 1981. With such heavy stocks, no sustained price relief can be expected in 1983. Current prices are far below the International Sugar Agreement's (ISA) target of 13 to 23 cents a pound. A renegotiation of the ISA is scheduled for May. The agreement may be restructured, and the changes would take effect January 1984. [*Robert D. Barry (202) 447-7290*]

Cotton

World Production Down in 1982/83

World cotton production in 1982/83 is estimated to be 4.5 percent (3.2 million bales) below a year earlier. The major decline occurred in the United States, where production dropped 3.6 million bales. Harvested area was 28 percent lower than in 1981/82 because of the Government's acreage reduction program, low prices, and above-average abandonment caused by hailstorms in Texas. However, record yields on the remaining land resulted in a more moderate production decline of 23 percent.

While U.S. farmers were responding to Government programs to reduce production, Chinese farmers responded to their Government's incentive programs by increasing production 2 million bales to a record 15.6 million, making China the world's largest producer in 1982/83. Outside the United States and China, production fell a modest 3.7 percent; area was down 1.5 percent in response to low prices, and yields dropped 2.2 percent largely because of bad weather and other problems in the USSR and Mexico.

World Consumption Still Below Production

Consumption in 1982/83 is estimated to be up 1.2 percent to 66.5 million bales, nearly 1 million more than in 1981/82. However, the majority of the growth is concentrated in China, as consumption in the rest of the world remains stagnant, largely because of the global recession. It now appears that the 1982 U.S. acreage reduction program, combined with production shortfalls elsewhere, was not sufficient to bring world cotton output down to disappearance. In fact, consumption will likely outpace production by more than 1 million bales and lead to a further increase in already excessive stocks.

Declining Trade Dampens Prices

Total imports are forecast to decline 10 percent in 1982/83. Most of the drop is due to reduced Chinese purchases—the result of large stocks and a record crop. China also has suspended purchases of U.S. cotton this year as a result of an impasse in the U.S.-China textile negotiations. Other importers have modestly reduced imports because of depressed textile sectors and high real interest rates that lower incentives to maintain stocks. Because exports failed to meet expectations and exporters' stocks increased, prices trended downward, with the index A, which weights the most competitive European prices, declining from August 1982 until the end of November. U.S. cotton prices in Europe showed increasing premiums over the index A, implying a declining competitiveness for U.S. cotton. However, during December and January, index A prices rallied 5 percent and moved closer to U.S. quotes.

1983/84 Prospects

World cotton production should be lower next year because of expanded acreage reduction programs in the United States. Chinese plans to stop acreage expansion may limit growth in foreign production. However, Mexican production could rise dramatically because of increased water supplies and improved profitability caused by the new peso exchange rate. Declining petroleum prices may moderate increases in production costs but could also improve the competitiveness of synthetic fibers. Economic growth in 1983 is the crucial factor influencing prospects for cotton demand. [*Edward Allen (202) 382-9820*]

Tobacco

World tobacco production rose to 14.5 billion pounds in 1982, nearly 11 percent more than the year before. Flue-cured production was up 15 percent, burley 13 percent, Oriental 7 percent, and other light air-cured tobacco 14 percent.

The larger flue-cured crop was due primarily to 33 percent greater production in China. Production of flue-cured also increased in India, Brazil, Zimbabwe, and Argentina. Burley production rose in Brazil, the Republic of Korea, Argentina, Thailand, and Malawi. Argentina and Thailand's production of burley more than doubled, while Malawi's output rose 46 percent. The increased burley production has resulted from strong world demand. Higher prices for Oriental tobacco in Turkey resulted in increased production in 1982.

The U.S. share of total world production is declining. In 1982, the United States produced only 13 percent of the world's flue-cured tobacco, but as recently as 1970, it produced 30 percent. U.S. burley tobacco's share of world burley production has dropped to about one-half, down from about four-fifths during 1960-64. Concurrent with the drop in its share of production, the United States' share of world exports declined by about half from 1955-59 to 1981.

World tobacco production may increase again in 1983. With U.S. output expected to decline further, the United States' share of total world production may fall again.

Despite the declining share of exports, U.S. shipments of tobacco and tobacco products were valued at a record $2.84 billion in calendar 1982, 4 percent above 1981's record. With the unit value increasing, another record will likely be set in 1983. [*Verner Grise (202) 447-8776*]

REGIONAL DEVELOPMENTS

United States

Burdensome supplies and weak demand continue to affect U.S. agriculture. Large 1982 harvests boosted crop production 3 percent above the record 1981 output. Acreage edged lower, reflecting Government programs to limit crop output, but favorable weather increased yields. Meanwhile, economic activity in the United States and abroad has been lackluster. As a result, consumer demand for meat has been weak, export prospects have deteriorated, and farmers have been placed in a cost-price squeeze.

In an effort to improve the agricultural situation, acreage reduction programs were put in place for 1983 crops. These programs, including the recently announced PIK program that offers farmers a commodity in return for reducing acreage, will reverse the uptrend in stock buildup in 1983/84.

1983 Crop Acreage To Decrease

Provisions of the acreage reduction programs appear favorable enough to encourage large-scale participation. The harvested acreage of crops included in the PIK program could drop about 30 million acres from last year's

level. The actual size of the harvest will reflect weather in 1983, but even with favorable growing conditions, the decrease in production will be significant. However, the huge surpluses of grains and cotton built up over the past couple of seasons will not disappear entirely, because only a slight increase in domestic and foreign demand is expected.

Livestock Production Declines

Last year, total red meat and poultry production fell a little more than 2 percent, with a 10-percent reduction in pork output more than offsetting small increases in beef and broilers. Lower feed costs encouraged cattle feeders to increase feedlot placements, and on January 1, 1983, there were 14 percent more animals on feed than a year earlier. These cattle will likely cause a bulge in beef supplies in the first half, but second-half production will fall off, particularly in the fourth quarter, as the slaughter of nonfed cattle trail year-earlier levels. Reflecting favorable returns in 1982, pork producers will increase farrowings later this year; however, pork production will still decline another 4 to 6 percent this year.

Broiler output may increase 2 to 3 percent, as feed costs and pork supplies remain low. Turkey producers are stepping up production this winter and spring, following a 2-percent decline in 1982. Milk production will continue to increase, but year-to-year gains may disappear by late in the year.

Livestock prices are expected to rise this year, as total production of red meat and poultry holds steady and consumer demand for meat picks up along with growth in the general economy. Most of the price strength is anticipated next spring and summer. Low feed costs and reduced inflationary pressures will help hold feeding costs down. However, if the fall harvest is substantially reduced, feed prices will rise.

Food Price Rises Moderate

Food prices rose about 4 percent last year, about half as fast as the year before and much slower than the rate of inflation. Farm prices accounted for only 10 percent of the rise in retail food prices. Four-fifths of the rise came from the larger farm-to-retail spread.

Marketing costs in 1983 may again account for most of the gain in food prices. Farm prices may rise somewhat, but reduced inflation and slow growth in consumer incomes will likely increase food prices only 3 to 5 percent. The quantity of food consumed will likely remain about the same as last year. [*Donald Seaborg (202) 447-8376*]

Canada

Record Crops

Record and near-record yields in western Canada in 1982 increased exportable supplies of nearly all grains and oilseeds. An early frost had a limited impact on yields and lowered the grades of spring wheat and rapeseed along the northern edge of the Prairie Grain Belt. The frost degraded 4 to 5 million tons of wheat to "feed wheat," adding to an already burdensome feed grain supply.

Hog Prices Rise

Hog prices recorded a strong recovery in 1982 and paralleled the upward trend in U.S. pork prices. A sharp drop in U.S. supplies and the ban against Danish pork in many importing countries due to foot and mouth disease helped increase Canadian pork exports.

Export Outlook Optimistic

Canadian exports of grain this year will amount to about $7 billion, and other agricultural products will add another $2.5 billion. Despite the frost, supplies of high-quality wheat remain adequate to meet domestic and export demand because of the large 1982 harvest (27.6 million tons) and also large carryover stocks.

Working down the feed grain glut is being hampered by uncertain Soviet buying intentions (rye purchases, for instance, are off substantially), uncertainty over future meat consumption, and the continuing depressed world economic situation. However, some good news to relieve the feed grain situation came in early February 1983: the Canadian Wheat Board sold 1 million tons of feed grains to East Germany, a major breakthrough into a potentially large market.

The early frost reduced both the yield and grade of the rapeseed crop, and exports are expected to fall 20 percent to slightly more than 1 million tons. Japan is buying some of its rapeseed in Europe because of uncertainty whether Canada can provide enough in the top grades.

Pork exports may surpass 1982's shipments, which equaled the pork proceeds from one in every five hogs produced. The ban against Danish pork remains, and the lower U.S. supply promises to continue through most of 1983. [*Pat Weisgerber (202) 447-8376*]

Western Europe

Trade Policies Affect World Markets

Agricultural trade continued to be a major issue in U.S.-European relations during 1982. U.S. concerns about trade practices, including EC export subsidies, were a significant area of controversy. A number of U.S. complaints filed against EC trade practices under the General Agreement on Tariffs and Trade (GATT) were still awaiting resolution by GATT panels at the end of the year. The complaints covered a number of products, including wheat flour, pasta, citrus, canned fruits, and raisins.

The United States has argued that EC practices are inconsistent with GATT agreements in a number of ways. The United States maintains that EC export subsidies have been applied to nonprimary (processed) products, contrary to the provisions of the subsidies code. U.S. officials argue that the subsidies for nonprimary products have resulted in price undercutting and that they have been used to obtain an unfair market share.

On the import side, the United States complained that EC processing aids violate GATT import agreements by increasing the effective level of import protection on those products. U.S. officials maintain that EC tariff preferences on citrus imports from the Mediterranean are in violation of the GATT most-favored-nation principle since they allow more advantageous access for prod-

ucts from the Mediterranean than from the United States.

There have been a number of other complaints brought by U.S. industry groups against EC practices under section 301 of the 1974 Trade Act. These complaints could be referred to the GATT if the office of the U.S. Trade Representative determines that U.S. industry has been damaged because of unfair trade practices. Complaints are being evaluated for poultry and sugar.

Major world exporters had hoped that the meeting of GATT ministers in Geneva during November 1982 would resolve some of the problems not covered satisfactorily under existing GATT provisions. The EC rejected any assertion that its export policy violated the accords of the Tokyo Round of negotiations. Officials agreed, however, to discuss points of contention bilaterally with the United States. Several discussions have already occurred, and talks are scheduled to continue.

EC Commission Recommends Price Increase

The EC Commission has recommended to the Council of Ministers a price increase of 5.5 percent for most farm products in the 1983/84 marketing year. However, some major commodities would increase less than the general increase. Grains would receive an overall rise of 3 percent, milk products 3.2 percent, and sugar 4 percent. The commission has proposed a 4.5-percent price increase for rapeseed, a crop that has shown a 12-percent expansion in area over the last year and has doubled its area since 1979. Because this increase is larger than that of competing crops, further expansion is likely. The final price decisions will be made by the EC Council of Agricultural Ministers, probably sometime in March.

The United States has expressed concern over the EC's proposed price increases. The increases come at a time when world prices are in decline, and they will further widen the gap between EC and world prices. The commission's expressed intention to reduce this disparity seems to be at least temporarily shelved.

Problems Rife For EC Dairy Sector

With milk production up an estimated 2.5 percent in 1983, and showing no signs of abating, the dairy sector once again looms as the number-one problem for EC officials. Stocks of butter and skim milk powder, the two principal dairy intervention items, have risen more than milk production and were at 325,000 and 584,000 tons, respectively, in late January 1983. Butter stocks declined slightly in December because of the EC's subsidized Christmas butter sale, but they have continued their growth this year. Stocks in 1982 were at the highest level since 1980 for butter and 1978 for skimmed milk powder.

Increased world dairy production and lower demand in 1982 have made disposal of dairy products on world markets increasingly difficult and more costly. With no abatement in sight for milk deliveries, dairy production promises to be a budget nemesis in the near future. The EC spent $3.7 billion for dairy support in 1981, including export refunds.

Dry Weather Continues in Spain

Warm weather and good precipitation in most of Western Europe have favored winter crop development, although dryness affected central and southern Spain, and, to a lesser degree, Portugal. Drought has plagued Spain and Portugal over the last 2 years, and continued dryness has delayed planting in southern Spain. [*Stephen Sposato (202) 447-8289*]

Australia

Drought Persists

Drought continues to hit Australia's farm economy hard. Drought intensified in the second half of 1982, and large areas of southeastern Australia are still officially drought declared. The negative impact of the drought has been magnified by a generally poor demand for agricultural products. Cash farm income for 1982/83 is expected to drop nearly 50 percent; the wheat and beef industries have been affected the most.

Small Wheat Crop

The disastrous 1982/83 wheat harvest, completed in January, is estimated at 8.5 million tons, a 48-percent drop from last year. This is the smallest crop since 1972/73. Only Western Australia escaped the drought, and production in that area will account for about 66 percent of the total crop, compared with a normal 35 percent. Domestic wheat use will rise as feeding to supplement poor forage supplies picks up. However, exports will be reduced, and only minimum quantities will be shipped to countries with long-term agreements. Australia will try to supply as much as possible to major customers in Oceania, Southeast Asia, and the Middle East.

Coarse grain production has also been reduced, with a larger sorghum crop partially offsetting declines in barley and oats. Since domestic feed requirements have increased substantially, less will be available for export.

Large Beef Output

Beef and veal production was up 19 percent in 1982 because of drought-forced marketings. Domestic consumption, accounting for about half of production, rose 6 percent to around 51 kilograms per person. The remainder is exported, and shipments jumped 30 percent from 1981. The United States absorbed a large part of the increase.

The cattle herd is expected to decline, which indicates a reduction in beef output in 1983. A reduction in domestic consumption and a drop in exports are anticipated. This forecast is based on normal rainfall.

The size of the sheep flock probably declined slightly in 1982. Numbers may increase in 1983 because of the current financial attractiveness of sheep enterprises, particularly wool and live sheep, relative to cattle. [*Allen Johnson (202) 447-8378*]

Japan

Market-Opening Measures Announced

Just prior to Prime Minister Nakasone's visit to the United States on January 17, Japan announced a third round of market-opening measures. Effective April 1, 1983, the measures include tariff reductions on numerous horticultural products and fats and oils, generally from current to final Multilateral Trade Negotiations (MTN)

rates. The most important tariff reductions were those for cigarettes, from 35 to 20 percent; chocolate confectionery, from 32 to 20 percent and sugared biscuits, from 36 to 24 percent. The new measures also detailed quota levels for six farm products: noncitrus juices, tomato ketchup and sauce, fruit purees and paste, peas and beans, peanuts, and tomato juice. However, the trade value of these six quota items represents only a small fraction of U.S. agricultural trade with Japan—only $43 million in 1981. No mention of import expansion for beef and citrus was included because of strong protests from influential farm groups in Japan. Trade in these two items is currently governed by the U.S.-Japan MTN beef and citrus understanding, which expires March 31, 1984.

Talks between Japan's newly elected prime minister and the United States centered on trade and defense problems. Nakasone reaffirmed the U.S.-Japan alliance and stressed the importance of a strong relationship with the United States. Although Japanese import restrictions on beef and citrus were prominent in the discussions, no solution is currently in sight.

Wheat Resale Price Rises

In February 1983, the Government's average resale price of wheat (to wholesalers) increased 8.2 percent from the previous 3,812 yen per 60 kilograms ($276 a ton). The wheat resale price was last increased in April 1981. The increase will help narrow the gap between the resale price and the higher producer price. Japan's food agency purchases wheat from producers at a price about three times the resale price. Increases in domestic wheat production are straining an already tight food agency budget.

No increase in the resale price of rice is planned because of concerns over declining consumption. Per capita consumption of rice was 77.8 kilograms in Japan's fiscal 1981, down from 78.9 kilograms in 1980. However, as a result of the relative changes in the resale prices of wheat and rice, per capita consumption of and import demand for wheat will be slightly less than otherwise.

Agriculture Budget Is Cut

The Ministry of Agriculture, Forestry, and Fisheries' budget will be reduced 2.5 percent in Japan's fiscal 1983 (April 1983 to March 1984), the first cutback in 27 years. The largest reduction, 7.8 percent, will occur in the Food Control Account, which covers expenditures for the production and distribution of rice and wheat, surplus rice disposal, and riceland diversion.

The amount budgeted for the production and distribution of rice and wheat was reduced by 91 billion yen because of anticipated government savings of 33 billion yen. The savings are the result of the 8.2-percent increase in the wheat resale price and additional savings of 30 billion yen due to the below-target 1982 rice crop, resulting in reduced storage costs. The Government also anticipates saving 28 billion yen by reducing the size of incentive payments for the distribution of high-quality rice outside government channels. A 9.1-billion-yen cut for riceland diversion reflects anticipated lower expenditures due to a smaller fiscal 1983 diversion target of 600,000 hectares (631,000 in 1982). Greater disbursements for surplus rice disposal are required for stepped-up feeding of rice in fiscal 1983, the final year of the program initiated in April 1979. [*Lois A. Caplan (202) 447-8229*]

Japan's food control budget

Account	JFY'82	JFY'83	Change	
	Billion yen		*Percent*	
Rice and wheat	498.2	407.1	−91.1	−18.3
Surplus rice disposal	142.1	165.4	23.3	16.4
Riceland diversion	350.0	340.9	−9.1	−2.6
Total	990.3	913.4	−76.9	−7.8

USSR

Soviet agricultural output of most commodities in 1982 exceeded their 1981 totals. The value of all agricultural production increased to 126 billion rubles, up 4 percent from the previous year. Grain production recovered last year but, at 180 million tons, was still 57 million short of plan. Livestock output grew only moderately, with gains unevenly distributed among products. Despite poor weather in the nongrain areas, vegetables and fruits achieved record output in 1982. The change in Communist Party leadership is not likely to cause significant shifts in agricultural policy.

Grain Production Up

USDA estimates that the Soviets produced 180 million tons of grain in 1982. This represents a noticeable improvement over 1981's production, estimated by USDA to be 160 million tons. The improved results can be attributed to generally better weather throughout the grain areas last year. For the second year, the Soviets failed to release a grain production number, choosing instead to simply reassure the population that adequate supplies of bread would be available. Since 50 to 60 percent of Soviet grain is used for livestock feed, such assurances can be easily given.

Because of an increase in 1982 domestic grain production, the USSR is expected to reduce imports this year. USDA estimates that the Soviet Union will purchase about 34 million tons of grain in 1982/83 (July-June), down from 46 million a year ago.

The sown area for 1983 winter grain was 32.5 million hectares, below the planned area of 36 million. This year's total grain area (winter and spring) will probably continue below the average of 1976-1981 (127 million hectares). However, weather during May-August is the primary determinant of Soviet grain yields. Accordingly, any forecast of an impending poor harvest is premature at this time.

Cotton Output Fell in 1982

Cotton production declined last year, falling from 9.6 million tons (13.5 million bales) in 1981 to 9.3 million tons (13 million bales). After a promising start, unusually hot and dry conditions lowered crop prospects during the development stage. The dry conditions were especially damaging in areas of Soviet Central Asia because of reported irrigation deficiencies. Floods and mudslides in the Transcaucasus in mid-June ruined crop stands in substantial areas and also heavily damaged the agricultural infrastructure. Inclement weather in early autumn and through much of the harvesting period caused addi-

tional crop losses in both South Central Asia and the Transcaucasus. Cotton production in Azerbaidzhan (in the Transcaucasus) was down 16 percent from 1981. In recent years, this republic has produced 9 percent of Soviet cotton.

Sugar Beets and Sunflowers Both Down

Soviet sugar beet production recorded its fourth consecutive disappointing year. The output of 71 million tons in 1982, although up 10 million from 1981, was far below the planned 98 million. The magnitude of the shortfall highlights the decline from the peaks of the mid- to late 1970's, when sugar beet output exceeded 90 million tons. Record sugar imports will make up the production shortfall.

Sunflowerseed production, at 5.3 million tons, was well short of the planned output of 6.5 million. The 1982 total represents an improvement from 1981's low, 4.7 million tons, but it still remains well below the 6-million-ton average of the Ninth 5-Year Plan (1971-75). The disappointing results for both sunflowers and sugar beets are attributed to the late arrival of spring weather, which delayed sowing 10 to 14 days. Furthermore, heavy precipitation and cool weather throughout the spring and into midsummer reduced yields.

Livestock Inventories Higher

Cattle inventories (including cows) reached a record 117.1 million head at the beginning of 1983, an increase of 1.2 million from a year earlier. Hog inventories set a record of 76.5 million head. Average slaughter weights for cattle and hogs during January-November 1982 in the socialized sector, at 343 and 101 kilograms, respectively, were lower than during the late 1970's. The lower weights may have been due to marginal domestic feed supplies, which were most noticeable during the first half of 1982.

Livestock production improved slightly in 1982. Meat production rose marginally, reaching 15.24 million tons (slaughter weight), compared with 15.20 million the year before. Milk and egg output each rose 1 percent from 1981, to 90.1 million tons of milk and a record 72.1 billion eggs.

Brezhnev's Death and Soviet Agriculture

General Secretary Brezhnev, who died November 10, 1982, had a high degree of personal involvement in the formulation of Soviet agricultural policy. This partly relates to the significant role agriculture plays in the Soviet economy, so that no leader in the USSR can fail to direct his attention to this sector. In addition, Brezhnev, as Kazakhstan party chief during the mid-1950's, played an important role in the expansion of production into the Virgin Lands.

Brezhnev's speech at the March 1965 Communist Party Plenum formed the basis for his agricultural policy. Among other things, he called for: (1) the increase in procurement prices for grains and livestock, (2) organizational changes to improve agricultural management, (3) increased private-plot animal husbandry, and (4) a commitment to improve diets. At the same time, retail prices for food staples were not increased, thereby establishing a precedent that has resulted in retail price subsidies of nearly $50 billion a year.

The May 1982 Plenum was the forum for Brezhnev's last major statement on agriculture. In many respects, he was still advocating the same kinds of reforms that he had put forth in 1965. The party adopted its "Food Program" as the centerpiece of Soviet agricultural policy until 1990. The program provides for: (1) further emphasis on private-plot production, (2) greater decentralization of farm management and the methods to tie farmers' incomes more directly to harvest results, and (3) improved coordination between agriculture and the industries serving it in an effort to reduce waste.

Since the Food Program has direct links to Soviet policies going back at least as far as the 1965 Plenum, some writers have suggested that Yuri Andropov, the new party general secretary, might want to abandon the program on grounds that it continues a Brezhnev-era approach of "throwing money" at agriculture. Yet, the rubric of the Food Program continues in Andropov's speeches, and the long period between the unveiling of the program and its final adoption—from October 1980 to May 1982—suggests that key players in the Soviet leadership had ample opportunity to shape the program in ways they considered important. The failings of Soviet agriculture are well recognized in the USSR, and the Food Program, contrary to Brezhnev's early programs, has not provided for a massive redirection of investment toward either agriculture or the agro-industrial complex. [*David Zaslow (202) 447-8380*]

Eastern Europe

Corn Harvest a Record

Latest announcements from individual East European countries indicate that the corn crop exceeded expectations. Corn output of approximately 35 million tons helped to raise total East European grain production to over 105 million tons, 9 million more than the next best results in 1980. All countries achieved a record grain crop, except Czechoslovakia and Poland. According to some observers, this year's weather, which was favorable for fall- and spring-sown grains in both the northern and southern parts of the region, has not occurred for the last two decades.

Grain Imports Down, Exports Up

The full granaries will result in reduced grain imports and large exports. Export potential in Hungary and Romania is above a combined 5 million tons, and Yugoslavia, while in need of about 500,000 tons of wheat, will have 1 million tons of surplus corn. The region's net grain imports may drop to about 3 million tons during July 1982-June 1983 because of the good grain harvest; reduced hog and poultry inventories in Czechoslovakia, the German Democratic Republic (GDR), and Poland; and problems of import financing.

Demand for Protein Meal High

Although the weather was near optimal for grains, it was less cooperative for growing other crops. Oilseed production was approximately 3.9 million tons, the same as in 1982. The below-optimal protein ratio in feed rations, however, will keep demand for imports of oilseed meal high. Outlook for 1983

The outlook for next year's grain harvest is shaped by the increased area sown to grain in the fall. The sowing conditions, however, were unfavorable because of inadequate soil moisture. September-December precipitation

was less than two-thirds of normal in Czechoslovakia and the GDR, one-half in Romania, and two-fifths in Poland. However, a protracted mild fall helped germination, except in Poland where probably more than 500,000 hectares of fall-sown grain and one-third of rapeseed must be resown in the spring.

Poland and Romania Rationing Some Food

Despite full granaries, a faulty distribution system, inadequate imports, and exports at the expense of domestic consumers have caused sporadic and regional food shortages. To assure equitable access to food, Poland continues its countrywide rationing system for meat, butter, and sugar. In Romania, rationing programs differ by region, but meat, sugar, and cooking oil are in short supply everywhere in that country. Meat and cooking oil supplies do not cover demand in Yugoslavia. In Czechoslovakia, per capita meat consumption has dropped 5 percent from the high level of 84.6 kilograms in 1980.

U.S. Exports Continued Decline in 1982

U.S. agricultural exports to Eastern Europe were valued at $833 million in 1982 (excluding transshipments). U.S. agricultural exports to Eastern Europe were less than half the 1981 figure and fell for the second year in a row. With the exception of soybeans, exports of the major commodities—wheat, coarse grains, and soybean meal—were off substantially from 1981.

Of the major commodities, exports of soybean meal fell proportionally the most, dropping to 500,000 tons from 1.3 million in 1981. Soybean exports were virtually unchanged at 517,000 tons, while shipments of coarse grains (2.9 million tons) and wheat (334,000 tons) were off 57 and 28 percent, respectively.

Underlying the decline in U.S. farm exports is the virtual shutoff of new hard currency credits. With few exceptions, East European countries are no longer able to finance trade deficits and ambitious development plans through foreign borrowing. Officials in Poland hope to reschedule their foreign debts coming due this year, following rescheduling in 1981 and 1982. Romanian officials have already stated that they will not be able to make payments due on their principal in 1983. Although Yugoslavia, the other major debtor in Eastern Europe, has recently received a reported $6 billion credit package from Western governments and financial institutions, 1983 repayments are high, and the most severe of the country's credit problems have only been postponed. Required debt repayments in 1983 are estimated at $6 billion for Poland, $3.1 billion for Romania, and $5.8 billion for Yugoslavia.

U.S. exports to Eastern Europe

Commodity	Quantity 1981	Quantity 1982[1]	Value 1981	Value 1982[1]
	1,000 tons		*Million dollars*	
Wheat	465	334	79	49
Coarse grains	6,769	3,031	998	349
Soybeans	506	517	138	125
Soybean meal	1,258	500	331	113

[1]Preliminary.

Source: Bureau of the Census, U.S. Department of Commerce; U.S. Export Sales, USDA/FAS.

U.S. farm shipments to Eastern Europe for fiscal 1983 are forecast at $868 million. This reflects a resumption of CCC credit guarantees, following a pause in fiscal 1982. Yugoslavia is to receive $210 million in CCC credit guarantees for wheat, cattle hides, oilseeds and products, and cotton. Hungary will receive $42 million in credit guarantees for protein meal and cotton. [*Thomas A. Vankai and Robert Cummings (202) 447-8380*]

China

China's production of most crops achieved records in 1982. For the third consecutive year, substantial increases occurred in the output of oilseeds and cotton and for the second consecutive year, grains rose. Improved domestic supplies reduced China's import demand for 1982/83, particularly for cash crops. Lower demand, coupled with low prices, also pushed down expectations for U.S. agricultural exports in 1982/83.

Record Crop Production

Total 1982 crop production in China increased 6 percent from 1981. The output of all grains is up 5 percent to 250 million tons. Despite reduced area, higher yields pushed wheat production to a record 63 million tons. Production of rice also increased substantially because of higher yields and an expansion of hybrid area.

Cash crops have been heavily promoted in recent years. The 1982 cotton crop was up 15 percent and has shown an increase of more than 50 percent over the last 3 years. A huge rapeseed crop pushed overall oilseed production up nearly 5 percent to 25.6 million tons, the fourth consecutive record, despite lower soybean and sunflower production. Sugar-crop output also grew again in 1982, reportedly 15 percent above 1981. All of this increase was attributed to sugarcane, as sugar beet production dropped slightly. The tobacco crop achieved the largest growth of all, a full 50 percent from the 1981 record.

In 1983, the area of winter wheat and other winter grains is up about 4 percent. Good weather has provided 1983 grains with an adequate start. With normal weather from here on, wheat yields could set another record. Production growth of cash crops is expected to slow in 1983, because the areas of these crops will be stabilized at the 1982 level or in some cases will be reduced. Rapeseed and tobacco area, in particular, will likely be down.

Import Demand Down

Grain imports in 1982/83 are expected to be slightly above the previous 2 years. But, China's imports of other crops have dropped off sharply as production has grown. Wheat imports in 1982/83 are forecast at about 13 million tons, the same as last year. Wheat demand continues high in order to fill urban requirements and to guarantee grain supplies to producers specializing in cash crops. Corn imports may reach 2.5 million tons, compared with 1.3 million in 1981/82. Poor 1982 corn production in the Northeast, a major grain base, and gradually rising demand for feed grains are the likely factors pushing import demand upward in 1982/83. In contrast, China's cotton imports are now forecast at only 152,000 tons, down from the approximately 479,000 tons imported in 1981/82. Projected soybean imports show an

even greater drop, from about 500,000 tons in 1981/82 to only 100,000 in 1982/83.

U.S. agricultural exports to China in fiscal 1983 reflect the decline in China's demand for nongrain imports. The expected total value of U.S. exports is down to an estimated $1.1 billion, about 40 percent less than in fiscal 1982. Despite falling wheat exports, grain sales remain relatively high because corn exports are up significantly and already exceed 2 million tons, more than double the amount shipped in 1981/82. Sales of cotton and soybeans, 20 percent of total export value in fiscal 1982, will drop to almost nothing this year.

The current impasse in Sino-U.S. textile negotiations and the imposition of U.S. textile import restrictions resulted in China's cutting off further imports of U.S. cotton and soybeans and threatening to reduce planned imports of other agricultural products. To date, this does not appear to have had any major impact on overall agricultural trade between the two nations. Exports of cotton and soybeans were already negligible, and wheat and corn sales have continued, although at a slow pace. U.S. wheat sales have been affected more by the favorable terms available from other suppliers. [*Carolyn L. Whitton (202) 447-8676*]

Asia

Although prolonged drought conditions thwarted earlier prospective gains in rice output for most South Asian countries, good rains in late 1982 and early 1983 suggest that the wheat harvest may reach another record. In East and Southeast Asia, rice supplies are still abundant, but Taiwan's recently announced rice diversion program, Indonesia's reduced prospects for the 1983 harvest, and increased worldwide demand have combined to cause some strengthening of rice prices.

Drought Reduces South Asian Harvests

Poor weather damaged India's 1982 kharif (fall) cereal harvests, but overall prospects for 1982/83 cereal production have been boosted by favorable growing conditions in the wheat-producing areas of northern India. The 1982/83 rice crop is estimated at 45 million tons, 16 percent below 1981/82, and coarse grain production is estimated at 28.4 million tons, down 7 percent from a year earlier. Wheat planting reportedly took place under good moisture conditions, and adequate rainfall and irrigation water suggest that the 1983 harvest will surpass 1982's record 37.8 million tons.

India purchased an additional 1.5 million tons of U.S. wheat in November 1982, bringing its import total for 1982/83 (July-June) to 4 million tons—all of U.S. origin. Further wheat imports during 1982/83 are possible, but they are unlikely because of the successful current rice procurement campaign and good prospects for the 1983 wheat crop.

Rice procurement reached 4.4 million tons by the end of December, slightly ahead of last year's record pace. It is expected to total at least 6 million tons. Forecasts indicate that, with wheat imports of 4 million tons, government cereal stocks will rise from 15.3 million tons in July 1982 to 16.5 to 17 million by July 1983—below the government target of 20 million tons, but well above levels achieved since the 1979 drought.

Fall 1982 harvests of oilseeds, primarily peanuts, were also damaged by the poor monsoon and are expected to lead to increased vegetable oil imports in 1983. This year's peanut crop is forecast at 5.5 million tons, down sharply from the 1981/82 record of 7.2 million tons. The 1983 rapeseed crop is expected to surpass the 1982 record of 2.6 million tons. Total 1982/83 oilseed production is forecast at 13.5 million tons, 11 percent below the record 15.2 million produced in 1981/82.

Because of last year's record production, vegetable oil imports fell sharply to about 915,000 tons in 1982. However, they are projected to rise to about 1.3 million tons in 1983. Soybean oil purchases fell 43 percent to about 375,000 tons in 1982, including 35,700 tons of U.S. origin. (Both figures are the lowest since 1976.) Meanwhile, palm oil imports remained near 1981's 453,000 tons. Soybean and palm oil imports are expected to increase to about 600,000 tons each in 1983, with the actual levels heavily depending on relative soybean and palm oil prices.

Food grain stocks in Bangladesh remain dangerously low. Opening stocks on January 1, 1983, stood at 770,000 tons, down 22 percent from the depressed level of a year earlier. Even with anticipated food grain imports of 1.8 million tons in 1982/83 and the harvest of a bountiful winter rice crop of about 3.5 million tons, stocks on July 1, 1983, are expected to total only 550,000 tons, similar to mid-1982 levels. Although the drought-reduced aman (summer) rice crop was somewhat above the 1981 harvest, it was 200,000 tons below trend. Total 1982/83 food grain production is expected to reach a record 15.3 million tons, but output remains far short of growing consumption requirements. Producer prices for rice rose 16 percent from October 1, 1982, to January 1, 1983, reflecting strong consumer demand.

Drought conditions resulted in lower 1982 rice crops for both Pakistan and Sri Lanka. The 5-percent downturn in Pakistan's output, coupled with lower prices, caused rice export earnings to drop by 30 percent during 1982. Sri Lanka, which suffered from both drought and flooding during the year, recently announced that it will purchase 200,000 tons of rice from China and Pakistan to fill the gap caused by the 10-percent production decline.

Indonesia To Resume Rice Imports

Indonesia's 22.3-million-ton rice harvest in 1982 matched 1981's record, despite an extended drought late in the year. The prolonged drought also delayed planting of most of the 1983 wet-season rice crop by 4 to 7 weeks. Consequently, 1983 rice output is expected to decline to 20 to 21 million tons. The reduced harvest may push import needs to 1.5 to 2 million tons, more than a million tons above 1982. A large rice import bill will further aggravate Indonesia's deteriorating trade balance, which was in deficit by more than $6 billion in 1982. To conserve revenue, the Government recently reduced subsidies on fertilizer and pesticides and announced elimination of food subsidies, further cuts in fuel subsidies, and slowed growth in spending for development projects as of April 1, 1983.

Malaysia's agricultural production grew by 6 percent in 1982, as the 20-percent rise in palm oil output, to 3.5 million tons, more than offset the drought-reduced rice harvest.

Rice output in Thailand during 1982/83 will be down from the bumper 1981/82 harvest but should be high enough to permit exports of 3.2 to 3.5 million tons during 1983. Rice stocks were high at the beginning of 1983, despite record exports of 3.6 million tons during 1982.

Thai corn prices rose to $130 a ton during early January, suggesting that the current crop (estimated at 3.2 million tons) may not meet domestic and export needs. Strong demand from domestic poultry and livestock industries may hinder contemplated corn exports to the Soviet Union and neighboring Asian markets.

Taiwan Announces Rice Diversion Program

Taiwan's record rice stocks stood at close to 1 million tons at the beginning of 1983. Recent efforts aimed at channeling resources away from rice and into other crops have been largely unsuccessful, so the Government of Taiwan has launched a new rice diversion program for 1983. Farmers will be paid $250 for each hectare of riceland left idle. The expected 70,000-hectare reduction in planted area will likely result in an 8-percent drop in rice output during 1983. If the diversion program and efforts to export 600,000 tons of rice are successful, Taiwan should be able to reduce stocks during 1983.

Because of low growth in world demand, South Korea's economy finished 1982 with considerable unused capacity. While the country experienced reduced inflation and a smaller trade deficit, growth in real Gross National Product (GNP) (5.7 percent) and exports (3 percent) lagged behind the target levels necessary to complete Korea's 1982-86 5-Year Plan. The anticipated 7.5-percent real GNP growth in 1983 assumes a growth rate of 3 percent or more in world trade. Without such growth, the Korean economy is unlikely to improve on its 1982 performance.

Korea's failure to achieve its growth targets caused the Government to sharply cut taxes in mid-1982. The result was mounting budget deficit problems that prompted a decision to raise tariff duties on several major agricultural imports (soybeans, palm oil, tallow, corn for processing, and wheat) in early 1983. The continuing deficits caused by grain and fertilizer subsidies may again lead to little change in the real purchasing price the Government offers for these products.

High beef prices throughout 1982, despite record supplies, will likely lead to large imports of beef (50,000 tons) and cattle (60,000 head) in 1983. Hog feeding continued at high levels early in the year, leading to speculation that swine producers might expand production too much and cause meat prices to drop below profitable levels.

Limited information from Indochinese countries suggests that overall 1982 rice production was up about 8 percent to 10.8 million tons. Higher yields enabled Vietnam to have a substantially increased harvest, while Kampuchea's rice output was up marginally. Bad weather caused rice production to decline about 6 percent in Laos. The three countries should require smaller rice imports during 1983, although nutritional levels have shown little improvement in recent years. [*E. Wayne Denney (202) 447-8229*]

Africa and the Middle East

U.S. Exports to Nigeria Decline

Exports of U.S. agricultural products to Nigeria fell 14 percent in 1982, from $544 million in 1981. In the face of declining earnings from petroleum exports, Nigeria's Government imposed trade restrictions to reduce foreign exchange expenditures. When these restrictions went into effect in April 1982, monthly imports were averaging about $1.8 billion. By the end of the year, they were estimated at $1.3 billion. Petroleum, which provides about 95 percent of Nigeria's total export earnings, averaged only slightly over $1 billion a month in 1982, compared with $1.5 billion in 1981 and slightly over $2 billion in 1980. Earnings are projected to decline further in 1983.

In January 1983, the Government expanded the list of restricted items, hoping to reduce imports to a monthly level of $900 million. While few of the restrictions apply to essential basic foods, the tighter procedures required for obtaining letters of credit, import licenses, and foreign exchange payments slowed U.S. sales during the last half of 1982. The paperwork necessary for imports will likely move even more slowly in 1983.

Grains and preparations account for between 85 and 90 percent of U.S. agricultural exports to Nigeria. In 1982, grain shipments dropped 18 percent from the $493 million shipped in 1981. However, the volume was up 2 percent, reflecting lower world prices for these commodities, mostly corn, wheat, and rice. Most of this decline was due to a sharp drop in rice exports, from $223 million in 1981 to $150 million in 1982.

As the economic situation in Nigeria deteriorates, rice importers are turning to less expensive Asian supplies, despite the fact that consumers prefer American rice. During the first 6 months of 1982, Thailand shipped only 52,000 tons of rice to Nigeria, while the United States sent 230,000. In the last half of the year, however, U.S. sales fell to 114,000 tons, while Thai sales increased to 134,000. Nevertheless, large shipments of U.S. rice in December brought the 1982 total to 343,000 tons. The United States will continue to face stiff competition in this market in 1983.

Animals and animal products were another important U.S. export to Nigeria in 1982. The two most valuable items in this category were inedible tallow and poultry meat, worth $14.8 million and $13.6 million, respectively. However, in April 1982, the Government banned imports of poultry, and the ban is not likely to be lifted in 1983. This year's tallow shipments are expected to remain at the 1982 level.

Sales of beverage bases amounted to $14.5 million and are expected to continue strong.

New Programs Help U.S. Exports to Egypt

U.S. exports of wheat and flour to Egypt remained steady in 1982, at about 2.5 million tons valued at $392 million. This included shipments of about 1.5 million tons under PL-480. PL-480 financing for U.S. exports of wheat and flour to Egypt in 1983 will remain nearly the same. The Title I, PL-480 agreement signed in November included $240 million for 820,000 tons of wheat and 375,000 tons of wheat flour. Other financing through PL-480 for 1983 deliveries will provide payments for an additional 100,000 tons. In early November, a blended credit program, which provided funds for 500,000 tons of wheat, was signed. However, few shipments were made from these programs in late 1982, contributing to a backlog in early 1983.

In addition to previously arranged PL-480 and blended credit, a new program for wheat flour was announced on January 17, 1983. It was the first program with this type of financing and price arrangements. Egypt will receive loans for $155 million from specified international banks. A U.S. Government guarantee through the

GSM-102 program will be provided to the banks. Wheat flour will be purchased from American millers on a tender basis by the representative from the Egyptian Supply Mission and procurement specialists from the General Authority for Supply of Commodities (GASC). The mills winning a tender will agree to deliver the flour to Egypt for $155 a ton, cif basis. They then will present to the CCC their calculations of the cost of producing and delivering the flour. In addition to the $155 a ton, they will receive wheat from CCC stocks through the PIK program. This will be an open-ended PIK subsidy, which can vary from one flour miller to another. Delivery of the wheat flour is scheduled to begin about March 1, 1983, and to end in June 1984. During this period, GASC is expected to rely entirely on the United States for new purchases of wheat flour.

Egypt's total imports of wheat and flour (in grain equivalent) may reach 6.5 million tons in 1983—up from about 5.8 million the previous year. However, as a result of expanded U.S. sales, imports of Australian wheat may decline to about 1 million tons, compared with an average of 1.7 million during 1978-82. Imports of EC wheat and flour were about 1 million tons annually in 1981 and 1982, and larger overall purchases of wheat may keep Egypt's combined imports of EC wheat and flour in the same range in 1983.

Southern African Corn Hit by Drought

A wide-ranging drought has reduced crop production over much of southern Africa in the current growing season. The drought is affecting over half of South Africa's main corn area, most of Zimbabwe, the southern two-thirds of Mozambique, and, to a lesser extent, the southern province of Zambia. This will aggravate existing food deficits in the region and sharply reduce exports of corn by South Africa, a major exporter, and by Zimbabwe, a smaller exporter.

For South Africa, this is the second consecutive year of drought-reduced summer crops. In 1982, the average corn yield was only about 1.85 tons per hectare, and preliminary estimates this year are similar, ranging from 1.85 to 2. The preliminary estimate of this year's corn crop is 8.5 million tons, but under current drought conditions, the crop may continue to deteriorate. Exports are not likely to exceed 1 million tons in the 1983/84 marketing year that starts in May. After the record 1981 crop of 14.6 million tons, South Africa's corn exports had risen to nearly 5 million tons in 1981/82 and will still exceed 4 million for 1982/83. By the end of 1983/84, the large stocks from 1981 will probably be reduced to more normal levels of 0.9 to 1.1 million tons.

Zimbabwe's corn crop will be down by at least 40 percent from last year. The preliminary estimate of 1.3 million tons is below consumption requirements, but stocks of nearly 1.1 million tons as of early 1983 should prevent imports and could permit exports of up to 250,000 tons. Last year's exports were between 400,000 and 500,000 tons and mainly went to neighboring countries. Despite large carryovers the last 2 years, Zimbabwe's exports have remained below the high levels attained in the 1970's, largely because of foreign exchange shortages in potential markets.

Malawi realized another good corn harvest in 1982 and, with its available stocks, is expected to be self-sufficient again this year. Problems exist elsewhere in the region, however. Angola's current import requirement for corn is estimated at 200,000 tons. Although it has not had serious weather problems, agricultural production and marketing have been disrupted by warfare. Zambia has requested emergency food aid as a result of last year's drought, which seriously cut corn output. Production should go up significantly this year because most of the country has had better rainfall. Nevertheless, there will be shortages until the harvest around the middle of the year.

The most severe effects of low rainfall are in Mozambique, which has little or no margin of stocks. Corn import needs are estimated at over 200,000 tons, with substantial quantities of other grains required as well. Finally, the Shaba province of Zaire, although not depressed by drought, remains a corn-deficit area, and its import requirements are about 125,000 tons.

Regionally, southern Africa will likely retain a slight surplus of corn; i.e., more exports than imports, during 1983/84. But it will have the smallest surplus since 1973/74, when drought damaged crops in the major producing countries, South Africa and Zimbabwe. Local shortages will occur, however. Most of South Africa's exports go overseas, and trade within the region is secondary. Despite progress made by South Africa and Zimbabwe in increasing corn yields, the region remains highly vulnerable to fluctuations in rainfall. [*Michael E. Kurtzig (202) 475-3444*]

Latin America

General Economic Conditions Deteriorate

Latin America's economic conditions continued to deteriorate during 1982, a trend which had already been observed the preceding year. After increasing by barely 1.5 percent in 1981, the region's GDP fell nearly 1 percent during 1982. The majority of economies suffered declines, but some were stagnant, and few had gains. On a per capita basis, GDP dropped in all the countries of the region.

In spite of the slowdown in economic growth and an increase in unemployment, inflation was up and exceeded all rates recorded in any previous year. The value of total exports for the region is estimated to have dropped 10 percent, while imports fell by about 20 percent, resulting in a balance-of-trade surplus of over $8.8 billion in 1982, compared with a deficit in 1981. Net payments for profits and interest continued their sharp growth during 1982. These changes resulted in a reduced deficit on the current account, from $38 billion in 1981 to $33 billion in 1982. However, all of these positive indicators were dominated by a sharp fall in net capital flows, down 55 percent, so the net balance of payments did a radical turnaround from a surplus of about $4 billion in 1981 to a deficit of about $14 billion in 1982. This will put increasing pressure on the region's ability to meet its debt repayment schedule and to import goods.

Agricultural Output Falls in 1982

Because of weather, Latin America's agricultural production suffered a setback in 1982. Current estimates place farm output about 2 percent lower than in 1981. Additionally, lower expectations for producer profits due to weak commodity prices, high interest and inflation rates, and indebtedness discouraged some producers from planting as large an area or using as many yield-boosting inputs.

Mexican Farm Production Drops Sharply

In Mexico, preliminary estimates indicate that grain and oilseed production declined nearly 25 percent, principally because rainfall was 75 percent below normal during the crucial months of July, August, and September. In October, Hurricane Paul battered the soybean area in northwest Mexico, lowering projected output by 28 percent. Livestock production continued to grow slower than effective demand in 1982, mandating imports of commodities in which Mexico was once self-sufficient. The cattle industry was hurt by extremely dry pasture conditions, and some stress slaughter has occurred.

The outlook for 1983 Mexican agriculture is still uncertain. The new administration has abandoned the Sistema Alimentario Mexicano (SAM), the program to achieve agricultural self-sufficiency. Nonetheless, the Mexican Government insists that its agricultural policies will continue to strive in that direction. With normal weather in 1983, farm production should experience a sharp comeback.

Record Crop Expected in Argentina

Although agriculture continues to be the healthiest sector in the Argentine economy, its farmers are still suffering from burdensome indebtedness, high interest rates, inflation, export taxes, unfavorable exchange rate policies, and lagging domestic demand. Despite these drawbacks, agricultural output is expected to show moderate gains in 1983. The wheat crop currently being harvested looks to be the largest ever—14 million tons. Farmers had increased planted area 17 percent in response to the promise of higher prices. Dry weather, while ideal for wheat, has stressed coarse grain crops, and output will be down about 11 percent. Therefore, coarse grain exports will likely fall about 20 percent in 1983. Drought damage to the soybean crop will offset a substantial increase in area, with production remaining unchanged from 1982. Exports of oilseeds will drop about 25 percent, however, in response to government tax policies favoring domestic crushing of seeds. Total production of grains and oilseeds will amount to about 38 million tons, the largest in Argentine history. Beef production will likely fall from the 1982 low of 2.5 million tons as producers struggle to rebuild herds.

Brazil's 1983 Output To Improve

Brazil's 1983 agricultural output is expected to show a big improvement over 1982, a year of no growth. Emphasis is expected to continue on agriculture as a source of foreign exchange earnings, but the Government's focus on austerity will modify its generous credit program and other subsidies.

The 1983 outlook for cereals and other food crops is favorable. The forecast for the corn crops at 23.5 million tons, is record high and will provide feed for the poultry boom as well as the first shipment of 500,000 tons on a 2.5-million-ton agreement with the USSR. The rice harvest of 9 million tons (paddy) will be down slightly from 1982. Meanwhile, the dry bean crop may not be as large as that of the 1982 record, but it will be adequate for food needs. Soybeans, which crested at 15.2 million tons in 1981, faded to 12.8 million in 1982. The soybean crop is forecast at only 14 million tons in 1983.

U.S. exports to Latin America[1]

Commodity	1981	1982	1983[2]
	Million dollars		
Animals and products	783	740	646
Grains and preparations	3,501	2,030	2,835
Wheat and products	1,594	1,379	1,231
Rice	128	63	61
Feed grains	1,658	489	1,367
Fruits, nuts, and vegetables	630	650	393
Oilseeds and products	1,102	999	1,024
Oilcake and meal	239	209	196
Soybeans	356	218	247
Vegetable oils and waxes	404	260	325
Other	845	514	416
Total	6,861	4,933	5,314
		1,000 tons	
Wheat and products	8,533	8,067	7,678
Rice	264	159	151
Feed grains	10,761	3,882	10,592
Oilcake and meal	886	832	822
Soybeans	1,130	842	1,000
Vegetable oils and waxes	631	630	602

[1]Fiscal years. [2]Forecast

Sources: U.S. Bureau of the Census; ERS estimates.

U.S. Exports Rising to $5.3 Billion

U.S. agricultural exports to Latin America are expected to increase to $5.3 billion, up about 8 percent from fiscal 1982's depressed level. While a sharply reduced 1982 harvest in Mexico is the main factor, economic conditions in the Caribbean also contributed to the increase. Latin American purchases of feed grains, rice, soybeans, tobacco, and cotton should all be higher in volume. However, feed grain and soybean prices are the only two items boosting the value of U.S. farm exports; the other commodities are expected to have lower values. [*John Link (202) 447-8133*]

WORLD TRADE AND FOOD POLICY

Trade Agreements

Australian Wheat Agreements

Australia and Egypt reached an agreement on November 18, 1982, to provide for the shipment of 1 million tons of wheat during 1983. Because of a drought-reduced Australian crop, the 1983 agreement will not allow additional Egyptian purchases in excess of the 1 million tons, as did the 1982 agreement.

Australia also concluded an agreement on January 19, 1983, to supply Japan with 900,000 tons of wheat in 1983. This is the same quantity provided under the 2 previous years' agreements.

Australia's grain agreement with Iraq was renegotiated in December 1982. Under the agreement, Australia will provide 500,000 to 750,000 tons of wheat annually to Iraq during 1983-85. The previous 3-year agreement

that expired at the end of 1982 was for 400,000 to 600,000 tons of wheat.

French Trade Agreements

France and Poland have reportedly agreed to barter 160,000 tons of French grain (mostly wheat) for 500,000 tons of Polish coal to avoid the need for France to finance the transaction with official credits.

France and Vietnam reached a barter agreement in October 1982 for goods worth $200 million: 500,000 tons of Vietnamese coal and 100,000 tons of rice in exchange for 100,000 tons of French wheat or wheat flour and 400,000 tons of fertilizer annually during 1983-87.

On October 15, 1982, France also concluded an agricultural trade agreement with the Soviet Union. The 1983-85 agreement is based on an exchange of letters between the French agriculture minister and the Soviet deputy trade minister. Official announcements mention no specific quantities. Rather, the Soviet Union will undertake to significantly increase its imports of French agricultural products, namely cereals and flour, malt barley, rapeseed oil, seeds, sugar, beef and breeding stock, frozen poultry, dairy products, and wine brandy. European press sources indicate that some of the quantities to be supplied under the agreement are 1 million tons of wheat, 500,000 tons of sugar, and 50,000 to 80,000 tons of butter, at world prices.

Soviet-India Trade Protocol

India and the Soviet Union signed a trade protocol December 24, 1982, to foster Soviet-Indian trade, which is expected to reach $3.8 billion during 1983. However, India's agricultural exports covered by the agreement are expected to decline this year by more than 30 percent to $598 million because of smaller Indian rice and cashew harvests. Rice exports are limited to 200,000 tons of basmati variety, with shipments equally divided between the first and second half of 1983.

Iran-Pakistan Grain Agreement

On February 7, 1983, Pakistan signed an agreement with Iran to supply $85 million worth of wheat, rice, and fertilizer in 1983, replacing the previous agreement of April 1982. Approximately 130,000 tons of wheat, as well as 120,000 tons of rice (half basmati, half IRRI-6 Punjab variety) and 50,000 tons of urea fertilizer, are to be exported. Pakistan also agreed to ship 47,000 tons of refined sugar—42,000 tons during March-April 1983, and 5,000 tons from May onward.

U.S.-Argentine Agreement on Hides Ended

The United States terminated the "Agreement Concerning Hide Exports and Other Trade Matters" on October 30, 1982, because of Argentine failure to comply fully with the agreement's provisions. The agreement's reduced U.S. duty on bovine leather will be replaced by a 5-percent ad valorem duty until further notice, while the preferential duty on corned beef will remain unchanged until October 30, 1983, when the previous 7.5-percent ad valorem duty will be reinstated.

Trade Actions

Blended Credit Increased

The Administration announced on January 11, 1983, an increase of $1.25 billion in the blended credit program. This is in addition to the $500 million authorized on October 20, 1982. The increase will comprise $250 million in interest-free, direct Government credit under the GSM-5 program and at least $1 billion in export credit guarantees from the CCC under the GSM-102 program. Under the latter program, 98 percent of the principal and a fixed portion of the interest is CCC-guaranteed.

Under the initial program funding, Morocco ($112.5 million), Egypt ($81 million), and Yemen, Yugoslavia, and Brazil ($60 million each) were the largest recipients of blended credits—used mostly for wheat imports. Pakistan ($25 million), the Philippines ($17.8 million), and Portugal ($5 million) purchased various other commodities, including corn, soybean meal, vegetable oils, rice, and cotton.

GATT Ministerial Meeting

The trade ministers from GATT member countries met November 24-29, 1982, in Geneva, Switzerland. The ministers' final declaration reaffirmed their commitment to the GATT multilateral trade system and its instruments as a means for helping expand world trade.

The ministers agreed to a work program under which a newly established Committee on Trade in Agriculture will study "all measures affecting trade, market access and competition, and supply in agricultural products, including subsidies and other forms of assistance." The committee will make recommendations on its findings at the 1984 GATT ministerial meeting.

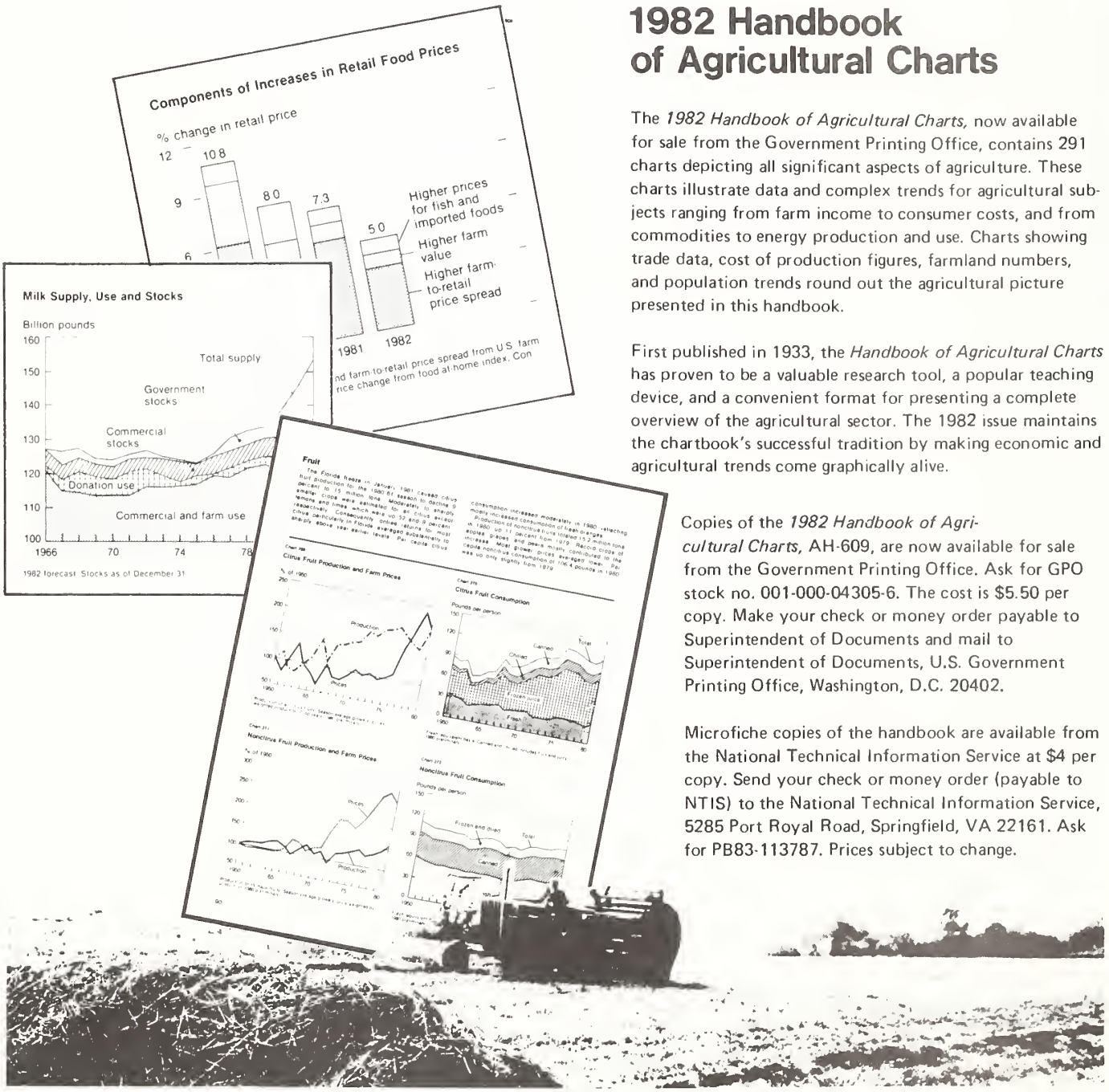
A number of other items relevant to agriculture were included in the work program for further study. Among the major issues were: how to establish a more equitable and predictable system of safeguards to protect domestic industries injured by imports, ways to improve developed-developing country trade relations, and ideas for streamlining the GATT dispute-settlement procedures. In addition, a high-priority study on world textile trade and the effects of the Multifiber Agreement will be delivered at the 1984 meeting.

Other questions under investigation include:

- liberalizing trade in tropical products.
- a review of nontariff measures and their justifications, as well as uniform classification of goods for tariff and statistical purposes.
- a review of the Tokyo Round agreements and arrangements.
- trade in counterfeit goods.
- the export of domestically banned goods.
- the effect of export credits on the capital goods industries of developing countries.
- studies on forestry, fishery, and nonferrous metal trade.

- the effect of exchange-rate fluctuations on world trade.
- studies on dual pricing and rules of origin.
- national examination of the issues concerning world trade in services.

[*Edward C. Wilson (202) 447-8470*]



1982 Handbook of Agricultural Charts

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Fred Sanderson, Guest Scholar, Brookings Institution.

Japan has long been one of the most important markets for U.S. agricultural exports, especially grains and oilseeds. A new report by USDA's Economic Research Service, *Japan's Feed-Livestock Economy: Prospects for the 1980's,* helps explain why that has been so and why future farm exports to Japan will probably rise even higher.

Each year, Japan purchases about 20 percent of total U.S. corn exports, 50 percent of U.S. sorghum exports, and more than 20 percent of U.S. soybean exports. By 1990, the United States may be able to increase its grain and soybean exports by a third and quintuple its beef exports, according to William Coyle, author of the report. In contrast, the Japanese market for imported dairy products, pork, and poultry will show little or no growth. The United States provides more than 65 percent of Japan's imports of coarse grains (corn, barley, sorghum), 95 percent of its soybean imports, and 71 percent of its soybean meal imports.

The report includes extensive tables and charts on Japanese consumption, production, and trade of beef, dairy, poultry, fish, and feed grains, including projections through 1990.

Japan's Feed-Livestock Economy: Prospects for the 1980's (William T. Coyle; $5.50; 80 pages, stock no. 001-000-04316-1) can be purchased from Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. GPO pays the postage.

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